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# **NAVAL POSTGRADUATE SCHOOL**

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## **THESIS**

### **ASEAN AND THAILAND'S REGIONAL SECURITY COOPERATION**

by

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December 1997

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The Association of Southeast Asian Nations (ASEAN) was established in 1967 by the integration of the Southeast Asian non-communist states. Common security concerns in the region made the cooperation possible among them in the first place. Established mainly because of security reasons, ASEAN at present has only loose regional security cooperation. On the other hand, it provides close regional economic cooperation. Distrust among ASEAN members caused by regional conflicts in the past and diversity of the countries is the reason that ASEAN still avoids anything but loose security cooperation. The closer regional cooperation provides direct improvement to Thailand's economic national security, but creates only indirect improvement on political component. Therefore, Thailand cannot rely on ASEAN for its security but has to protect itself even if that means doing something against the interests of its ASEAN partners. However, AFTA provides the first chance for ASEAN members to cooperate in a long-term institutionalized manner. This may help to alleviate distrust and lead to greater trust among them. Greater trust may in turn lead to closer cooperation in the security sphere in the future.

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**ASEAN AND THAILAND'S REGIONAL  
SECURITY COOPERATION**

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## ABSTRACT

The Association of Southeast Asian Nations (ASEAN) was established in 1967 by the integration of the Southeast Asian non-communist states. Common security concerns in the region made cooperation possible among them in the first place. Established mainly because of security concerns, ASEAN never developed anything more than loose regional security cooperation. On the other hand, ASEAN has developed quite close regional economic cooperation. Distrust among ASEAN members caused by past regional conflicts and the diversity of the countries is the reason that ASEAN still avoids anything but loose security cooperation. Closer regional security cooperation will be out of the question, if distrust among them still cannot be eliminated. Moreover, AFTA, a form of close economic cooperation, provides direct improvement to Thailand's economic national security, but creates only indirect improvement in the political aspect of Thailand's national security. Therefore, Thailand cannot rely on ASEAN for its security but has to protect itself even if that means doing something against the interests of its ASEAN partners. However, AFTA provides the first chance for ASEAN members to cooperate in a long-term institutionalized manner. This may help to alleviate distrust and lead to greater trust among them. Greater trust may in turn lead to closer cooperation in the security sphere in the future.





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## LIST OF ABBREVIATIONS

AEM	ASEAN Economic Ministers
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIC	ASEAN Industrial Complement Scheme
AIJV	ASEAN Industrial Joint Ventures Scheme
AIP	ASEAN Industrial Project
AMM	ASEAN Ministerial Meeting
ANZCERTA or CER	The Australia-New Zealand Closer Economic Cooperation Trading Arrangement
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASA	Association of Southeast Asia
ASEAN	Association of Southeast Asian Nations
ASEAN-PMC	ASEAN Post Ministerial Conferences
ASEM	Asia-Europe Meeting
ASPAC	Asian and Pacific Council
CEPT	Common Effective Preferential Tariff
CM	Common Market
COCI	Committee on Culture and Information
COFAB	Committee on Finance and Banking
COFAF	Committee on Food, Agriculture, and Forestry
COIME	Committee on Industry, Minerals, and Energy
COSD	Committee on Social Development
COST	Committee on Science and Technology
COTAC	Committee on Transport and Communications
COTT	Committee on Trade and Tourism
CU	Customs Union
Dgs	Directors-General
EAEC	East Asia Economic Caucus
EC	European Community
EEA	European Economic Area
EFTA	European Free Trade Area
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Products
IMF	International Monetary Fund
ISIS	Institutes of Security and International Studies
MAPHILINDO	Malaysia, Philippines, Indonesia
MNLF	Moro National Liberation Front
NAFTA	North American Free Trade Area
NATO	North Atlantic Treaty Organization

NICs	New Industrial Countries
NTBs	Non-tariff Barriers
OAM	Other ASEAN Ministers
PTA	ASEAN Preferential Trading Arrangement
REI	Regional Economic Integration Theory
SCCAN	Special Coordination Committee of ASEAN Nations
SEANWFZ	Southeast Asian Nations Weapon Free Zone
SEATO	Southeast Asia Treaty Organization
SOM-AMAF	Senior Officials Meeting of the ASEAN Ministers of Agriculture and Forestry
TAC	Treaty of Amity and Cooperation
UAPs	Unprocessed Agricultural Products
UN	The United Nations
WTO	World Trade Organization
ZOPFAN	Zone of Peace, Freedom, and Neutrality

## EXECUTIVE SUMMARY

Southeast Asia is a region of diverse terrains, ethnic groups, religions, languages, societies, cultures, and levels of development. In the past, this diversity has presented formidable obstacles to regional cooperation. Despite these obstacles, common security concerns about the communist threat in the region was the main reason that the five Southeast Asian nations, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, combined to form the Association of Southeast Asian Nations (ASEAN) in 1967. However, over the last three decades, ASEAN members have been very reluctant to forge any kind of close cooperation on the security concerns that brought them together in the first place.

In fact, from its inception, ASEAN has given preeminence to economic -- not security --cooperation. Nowhere was it stated that the ASEAN states would cooperate on political and security matters. At present, ASEAN members cooperate closely in the economic sphere. Specifically, the ASEAN Free Trade Area (AFTA), established in 1992, has encouraged extensive regional economic cooperation among the members. While ASEAN maintains close regional economic cooperation, it provides only loose regional security cooperation. There is neither a conventional collective defense nor a collective security function in ASEAN.

Lack of close political and security cooperation among ASEAN members leads to the puzzle of this thesis. If ASEAN was formed for regional security reasons, why does it still avoid anything but loose security cooperation? The thesis solves this puzzle by arguing that the anti-communist convergence that allowed ASEAN to form did not eliminate the very

strong bases for distrust among ASEAN members, especially the five founding members. This accounts for the limitations on the extent of regional security cooperation possible. Concrete regional security cooperation will be out of the question as long as the distrust among them caused by past regional conflicts and the diversity of the countries is not alleviated.

Although regional cooperation in the security area is loose, ASEAN does have good regional economic cooperation. Therefore, this thesis will further study the impact of ASEAN's economic cooperation, AFTA, on Thailand's national security. AFTA is selected as a case study to explore ASEAN's economic cooperation, since it is the most important and successful example of cooperation in ASEAN history. Furthermore, the case study of AFTA is used to analyze the impact of AFTA on Thailand's national security at the economic, political, sociological, and military levels. The finding from this study implies that AFTA provides direct improvement only to the economic component of Thailand's national security, while it creates indirect improvements on the political, sociological, and military components.

The findings from the study of both the puzzle and the impact of AFTA on Thailand's national security have implications for Thailand. ASEAN's inability to address concrete regional security issues means that Thailand cannot depend on ASEAN for its security but has to protect itself even if that means doing something against the interests of its ASEAN partners. However, AFTA provides the first chance for ASEAN members to cooperate in a long-term institutionalized manner. This may help to defuse distrust and may lead to greater trust among them. Additionally, greater trust may lead to closer cooperation in regional security cooperation in the future.

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## I. INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) was established in Bangkok in 1967 to integrate five Southeast Asian nations: Indonesia, Malaysia, Philippines, Singapore, and Thailand. The main reason that the five nations combined and cooperated in the first place was common concern about the communist threat in the region, especially in Indochina. Additionally, by cooperating with each other against communism, they expected to receive economic aid from anti-communist powers, such as the United States, the United Kingdom, and Japan. Moreover, they hoped to revitalize regional cooperation. ASEAN expanded over the years, with Brunei becoming the sixth member in 1984. Vietnam joined ASEAN as the seventh member in 1995, and Burma and Laos were admitted in July 1997. Viewed as a small and insignificant organization at the beginning, ASEAN at present includes all of the ten Southeast Asian nations except Cambodia. It is an important organization both regionally and at the international level.

The 1967 Bangkok Declaration stated that the objectives of ASEAN would be cooperation among member states in the economic, social, cultural, educational, technological, scientific, and administrative spheres. Of all the cooperation objectives, ASEAN actually has concentrated mainly on economic issues. However, regional economic cooperation was sluggish in the first nine years, since ASEAN members spent most of their time addressing regional conflicts and studying plans and procedures for economic cooperation. Although ASEAN did not succeed in promoting intra-regional economic cooperation during the first period, it did succeed in consolidating its bargaining power

against other industrialized powers, such as the European Economic Community, Japan, and Australia.

Concrete regional economic cooperation arose when the ASEAN Free Trade Area (AFTA), initiated by Thailand, was established in 1992. AFTA aimed to reduce tariffs on intra-ASEAN products to under 5 percent within ten years starting 1 January 1993. At present, although AFTA is still in the developmental stages, its early progress has benefited the economies of ASEAN members. AFTA has continuously increased intra-ASEAN trade because of the Common Effective Preferential Tariff (CEPT) Scheme, the mechanism of intra-ASEAN tariff reduction. It has also increased trade between ASEAN members and their counterparts outside the region, since it creates bargaining power for ASEAN to deal with other economic blocs.

Even though regional anti-communism was the main purpose of uniting, political and security cooperation was not included in ASEAN's objectives at the beginning. It was not until the First ASEAN Summit in Bali in 1976 that the security and political cooperation program was proposed and adopted by the member nations in the Declaration of ASEAN Concord. However, security cooperation in ASEAN is characterized as "loose cooperation," since ASEAN has had neither a conventional collective defense nor a collective security function.<sup>1</sup> The only way ASEAN attempts to solve regional disturbances among member countries is through political negotiation.

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<sup>1</sup> Hans H. Indorf, "Political Relations within ASEAN," in The ASEAN Reader, eds. K.S. Sandhu, Sharon Siddique, Chandran Jeshurun, Pajah Ananda, Joseph L.H. Tan, and Pushpa Thambipilai (Singapore: Singapore National Printers Ltd., 1992), p. 88.



In order to encourage greater political and security cooperation in the region, the ASEAN Regional Forum (ARF) was established in 1993. ARF is not limited solely to the ASEAN countries. In addition to the core group of nine ASEAN members, nine countries outside ASEAN are represented (the United States, Canada, Japan, South Korea, Australia, New Zealand, China, Russia, and India) as is one regional bloc (the European Community (EC)). There are also two observers, namely Papua New Guinea and Cambodia. Although ARF aims to create security cooperation among members and bring peace to the Asia and Pacific regions, it is only a forum for convening and discussing regional security policy. Like ASEAN, ARF does not include agreements on either military alliance or collective security.<sup>2</sup> As a result, members cannot rely on the Forum's ministrations for their national security.<sup>3</sup>

#### A. PUZZLE

Lack of close political and security cooperation among ASEAN members leads to the puzzle of this thesis. If ASEAN was formed for regional security reasons, why does it still avoid anything but loose security cooperation? This thesis suggests that the convergence along anti-communist lines that allowed ASEAN to form did not eliminate the very strong bases for distrust among ASEAN members, especially the five founding members. This accounts for the limitations on the extent of regional security cooperation possible. Concrete regional security cooperation will be out of the question if distrust among them cannot be alleviated.

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<sup>2</sup> Michael Leifer, The ASEAN Regional Forum (London: Oxford University Press, 1996), p. 46.

<sup>3</sup> Ibid.

Although there is not extensive regional security cooperation, ASEAN has developed regional economic cooperation. Therefore, this thesis will further study the impact of ASEAN's main avenue of economic cooperation, AFTA, on Thailand's national security.

AFTA is selected to represent ASEAN's economic cooperation, since it is the most important and successful incidence of cooperation of ASEAN. This case study will be used to analyze the impact of regional economic cooperation on Thailand's national security in four different areas: economic, political, sociological, and military. The finding from the study implies that AFTA provides direct improvement only to the economic component of Thailand's national security, while it creates indirect improvements on the political, sociological, and military components.

## **B. SIGNIFICANCE OF THESIS**

Even though there is already substantial regional cooperation in ASEAN, security cooperation is significant because it can create peace and security in the region. While other regional organizations, such as the former Southeast Asia Treaty Organization (SEATO) and the North Atlantic Treaty Organization (NATO), have greater regional security cooperation, ASEAN, established because of security concerns, has not had concrete regional security cooperation. Therefore, the results of the study of this puzzle will be useful for ASEAN nations, especially Thailand, to anticipate the problems and possibilities of regional security cooperation in the future.

The intent of this thesis is to further study whether AFTA and regional economic cooperation influence Thailand's national security, especially the political and military

components. The findings from the study of both the research puzzle and the impact of AFTA on Thailand's national security have implications for Thailand: ASEAN's inability to address concrete regional security issues means that Thailand cannot depend on ASEAN for its security but has to protect itself even if that means doing something against the interests of its ASEAN partners. However, AFTA provides the first chance for ASEAN members to cooperate in a long-term institutionalized manner. This may help to alleviate distrust and may lead to greater trust among them. Moreover, the greater trust may lead to closer cooperation in regional security affairs in the future. The results of the study will be useful for Thailand to adjust its national security strategy toward ASEAN.

### C. HYPOTHESIS AND DEFINITIONS

To study the puzzle of the thesis, there are both general and specific hypotheses. The general hypothesis is that common interests lead to regional cooperation. In this case, the five founding members were united against the communist threat in the region. This led to regional cooperation which, in turn, led to the establishment of ASEAN. The general hypothesis is portrayed in Figure 1.



**Figure 1: General Hypothesis**

However, since the establishment of ASEAN, the progress toward security cooperation has stalled. Therefore, my specific hypothesis is that intra-regional conflicts and distrust among

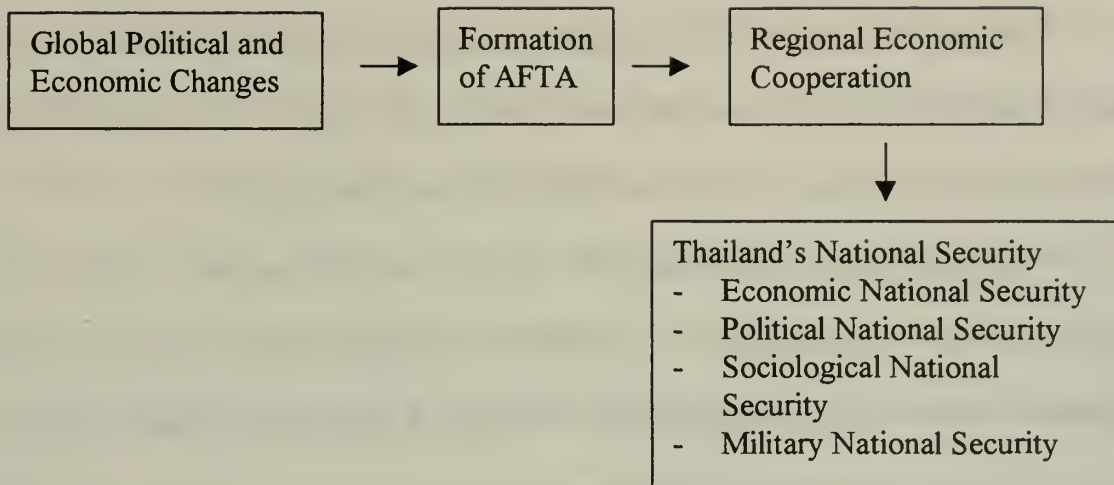
member countries limit regional security cooperation. My specific hypothesis is portrayed in Figure 2.



**Figure 2: Specific Hypothesis**

There is also a hypothesis for the analysis of the impact of AFTA on Thailand's national security. Since the end of the cold war, the political and economic global situation has changed. These political and economic changes fostered the establishment of AFTA to promote regional economic cooperation. Far more extensive regional economic cooperation has emerged among member states, making AFTA a significant free trade area. Thailand, a member of AFTA, has received many benefits from AFTA. At the same time, AFTA also has a great impact on Thailand's national security in four different areas: political national security, economic national security, sociological national security, and military national security. A hypothesis can be described as portrayed in Figure 3.





**Figure 3: Impact of AFTA on Thailand's National Security**

Since this thesis mainly studies regional cooperation, it is necessary to understand definitions of, reasons for, and forms of cooperation. According to Robert O. Keohane, cooperation requires that the actions of separate individuals or organizations be brought into conformity with one another through a process of negotiation.<sup>4</sup> Cooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others.

There are two reasons for governments of different countries to cooperate with each other. First, they cooperate in order to increase efficiency. This purpose normally explains economic cooperation. Secondly, cooperation develops from common threats or problems. ASEAN countries cooperated in the first place because of the latter reason.<sup>5</sup>

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<sup>4</sup> Robert O. Keohane, After Hegemony: Cooperation and Discord in the World Political Economy (New Jersey: Princeton University Press, 1984), p. 51.

<sup>5</sup> K.J. Holsti, International Politics: A Framework for Analysis (New Jersey : Prentice Hall, 1992), p. 382.

There are also two forms of cooperation. Bilateral cooperation is handled between two governments that have the same objectives. International regimes are cooperative entities involving two or more states. ASEAN is a form of international regime.<sup>6</sup>

This thesis classifies cooperation in ASEAN into two degrees. First, “loose cooperation” means that there are no commitments enforcing members to cooperate with each other. They will commit themselves to cooperate if and when they feel comfortable doing so. ARF is an example of loose cooperation, since it is only a forum for security policy without any binding agreements for collective security. Second, “close cooperation” means that ASEAN members are bound to perform in accordance with a given agreement. AFTA is an example of close cooperation, since members are obligated to follow the schedules of tariff reduction agreements.

#### **D. SUMMARY OF CHAPTERS**

To analyze the research puzzle and impact of AFTA on Thailand’s national security, this thesis will be broken into six chapters. The first chapter provides an introduction. It will address the puzzle of the thesis: why does ASEAN still avoid anything but loose security cooperation? Additionally, it questions the impact of AFTA on Thailand’s national security. Chapter II analyzes the rise of Southeast Asian regional cooperation in ASEAN. This chapter will address why the Southeast Asian nations combined to form ASEAN and what made cooperation possible among them in the first place. Finally, the chapter will propose a solution to the puzzle of the thesis.

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<sup>6</sup> Ibid., p. 383.

Chapter III covers Thailand's cooperation in ASEAN. This chapter will study Thailand's role in ASEAN from 1967 until the present. It will study the reasons behind Thailand's cooperation in ASEAN at the beginning. What kind of cooperation does Thailand advocate in ASEAN? Chapter IV is a case study of AFTA. This chapter will look at why ASEAN moved toward economic cooperation. The chapter will also study the benefits ASEAN members receive from the early developments under AFTA and the acceleration of AFTA.

Chapter V analyzes AFTA's impact on Thailand's national security. The analysis will be divided into four different components of Thailand's national security, namely economic, political, sociological, and military. The last chapter will be a conclusion. This chapter will summarize the research puzzle and findings, and will suggest questions for further study. It will also look ahead toward the future of ASEAN and Thailand's national security.





## II. THE RISE OF SOUTHEAST ASIAN REGIONAL COOPERATION: ASEAN

### A. INTRODUCTION

In the past, there were real obstacles to regional cooperation in Southeast Asia. There is a considerable diversity of terrains, ethnic groups, religions, languages, societies, cultures, and levels of development in the region, which consists of mainland countries Myanmar, Thailand, Laos, Cambodia, and Vietnam, and the island nations of Malaysia, Singapore, Brunei, Indonesia, and the Philippines. In other words, the differing levels and pace of development among the Southeast Asian countries and the disparities in their protective structures and geographic sizes indicate that integration benefits may not accrue uniformly across the countries. Differences in their industrial and agricultural production structures also indicate that the benefits and efficiencies that can be gained from greater integration may be distributed unevenly.<sup>7</sup>

As in other parts of the world, there were many regional organizations established in Southeast Asia from the 1950s to 1960s, but most of those organizations consisted of members from both outside and inside Southeast Asia and none lasted long or gained much cooperation from its members. It was not until the establishment of the Association of Southeast Asian Nations (ASEAN) in 1967, all of whose founding members were Southeast Asian countries, that there was actually intra-regional cooperation.

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<sup>7</sup> Florian A. Alburo, "The ASEAN Summit and ASEAN Economic Co-operation," in The ASEAN Reader, eds. Sandhu et.al., p. 203.

Originally a small and an unimportant grouping, ASEAN at present is a significant power broker in Asia. It has both political and economic capabilities as well as an important role in the international arena. This leads to the questions of why, despite many obstacles to regional cooperation, the Southeast Asian nations combined to form ASEAN and how cooperation became possible among them in the first place. Therefore, this chapter will examine the historical development of ASEAN and the causes of integration and cooperation among ASEAN members. It will also solve the puzzle of why ASEAN still avoids security cooperation. The chapter will be broken into different parts looking at ASEAN history, evolution, and problems over the last three decades.

## **B. THE PRE-ASEAN PERIOD**

ASEAN was not the first regional cooperation organization in which Southeast Asian states participated. During the early postwar era, there were four groupings established in Southeast Asia: the Southeast Asia Treaty Organization (SEATO), the Association of Southeast Asia (ASA), the Asian and Pacific Council (ASPAC), and MAPHILINDO (an acronym formed from the first letters of the names of its member countries, Malaysia, the Philippines, and Indonesia). The majority of SEATO's and ASPAC's members were not Southeast Asian states, while both ASA's and MAPHILINDO's membership was limited to Southeast Asian states.

### **1. SEATO**

Formed at a conference in Manila in 1954, shortly after the victory of the Viet Minh over the French in Vietnam, SEATO was composed of eight member states. The eight were

Australia, Britain, France, New Zealand, Pakistan, the Philippines, Thailand, and the United States. It was viewed as a part of the worldwide US-led system of anti-Communist military alliances rather than as a Southeast Asian regional organization aimed at extensive intra-regional cooperation. At the Manila conference, all member nations signed the Southeast Asia Collective Defense Treaty (the Manila Treaty), a commitment to provide collective defense to Southeast Asia against Communist aggression in the region, especially in Indochina. Because France and Pakistan ceased to take an active role in the alliance, and Britain was reluctant to associate itself with SEATO military preparations and exercises due to changes in the world's political climate during the cold war, SEATO was never very effective and lost its backing by the early 1960s. However, it survived at least formally in the form of occasional military exercises among member states until 1977, when it became an inactive organization.

## **2. ASA**

Considered the first regional organization of only Southeast Asian countries, ASA was proposed by the Malaya Prime Minister Tunku Abdul Rahman in 1959 as a means of achieving regional cooperation in the economic, social, cultural, scientific, and administrative realms. In spite of the fact that most of the Southeast Asian states gave the proposal a cool reception and that China, the Soviet Union, and the Communist states of Indochina denounced it as an offshoot of SEATO, the Philippines and Thailand agreed to join Malaya

in forming ASA.<sup>8</sup> Therefore, the ASA was established at a meeting in Bangkok, Thailand, on 31 July 1961.

ASA was handicapped by its limited membership and by accusations that it was a pro-Western, anti-communist group whose motivations were primarily political.<sup>9</sup> Because of the dispute over Sabah in the north of Borneo island between the Philippines and Malaya in June 1962 and the opposition of Indonesia to the formation of the Federation of Malaysia (Malaya including Sarawak and Sabah), ASA's activities were disrupted during the latter part of 1963. However, ASA became active again in March 1966 after both conflicts were solved.

### **3. MAPHILINDO**

British preparations to end colonial rule over Malaya in the early 1960s led to tensions in the Southeast Asian archipelago over who would control which islands. This involved claims from Malaya, the Philippines, and Indonesia, who met in Manila during July and August 1963 to discuss the problems. MAPHILINDO was established by a declaration of the foreign ministers of the three nations in August 1963 to try to solve the conflicts among the three member states. However, when the formation of the Federation of Malaysia met with Indonesian opposition in September 1963, MAPHILINDO was dissolved only one month after its establishment. The conflicts among the three nations still exist today.

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<sup>8</sup> Norman D. Palmer, "SEATO, ASA, MAPHILINDO and ASPAC," in The ASEAN Reader, eds. Sandhu *et al.*, p. 29.

<sup>9</sup> Alison Broinowski, Understanding ASEAN (Hong Kong: The Macmillan Press Ltd, 1982), p. 9.



#### **4. ASPAC**

Organized in 1966 through the initiative of South Korean President Park Chung-hee, ASPAC was designed to achieve cooperation among the leading non-communist nations on the western side of the Pacific to cope with external threats in Southeast Asia, especially in Indochina. Its nine members were Australia, Japan, Malaysia, New Zealand, the Philippines, South Korea, South Vietnam, Taiwan, and Thailand. Some of ASPAC's objectives were controversial. In a joint communique issued at the close of the organizational meeting in Seoul, the participating countries announced their determination to preserve their integrity and sovereignty in the face of external threats, but at the same time they agreed that the new organization should be nonmilitary, nonideological, and not anti-communist.<sup>10</sup>

Without clear objectives and areas of concentration, ASPAC did not receive much support or cooperation from any member state except South Korea, since other states were not sure what benefits they would gain from ASPAC. Consequently, it survived for only seven years after its establishment. ASPAC was dissolved in early 1973 when the Vietnam War approached its end with a Communist victory.

#### **C. THE FORMATION OF ASEAN**

Before the formation of ASEAN, there was a growing convergence around anti-communism that made regional cooperation possible. The Indonesian army's October 1965 counter coup against the Communist Party, which led to the political ascension of Soeharto, and President Marcos's election victory in the Philippines in November 1965 helped to

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<sup>10</sup> Palmer, in The ASEAN Reader, eds. Sandhu et.al., p. 29.

diminish a number of bilateral conflicts in the region. For example, under its new leader, the Philippines was less aggressive toward Malaysia's claim to Sabah. In addition, many discussions between Malaysian and Indonesian diplomats were held during late 1965 and early 1966 to bring the confrontation between the two nations to an end. These discussions led to formal talks from 29 May to 1 June 1966 between Malaysia's Deputy Prime Minister, Tun Abdul Razak, and Indonesia's Foreign Minister, Adam Malik. The talks were hosted in Bangkok by Thai Foreign Minister Thanat Khoman, who had for some time been acting as a mediator in seeking solutions to confrontation such as the Philippines claim to Sabah. Consequently, in August 1966 Malaysia and Indonesia concluded an agreement that formally ended the confrontation.<sup>11</sup> The improved relations among the three states led to the revival of ASA in 1966.

In 1967, the continuing Vietnam War dominated the political landscape of Asia and U.S. military involvement in Vietnam rapidly increased. Because of the Japan-U.S. security pact signed in 1952 and the membership of the Philippines and Thailand in SEATO, the United States was supported by these three Asian governments throughout the Vietnam War. In June 1966, the South Korean government formed ASPAC to achieve cooperation from the leading non-Communist nations on the western side of the Pacific and to support U.S. military action in Vietnam. Concurrently, the Cultural Revolution began in China. The Cultural Revolution, which continued throughout 1967, aimed to strengthen the revolutionary spirits of the masses in China to oppose the U.S. involvement in Vietnam War.

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<sup>11</sup> Broinowski, p. 10.

The new anti-communist government under Suharto was established in Indonesia in February 1967. After the formation of Malaysia in September 1963, Malaysian and Singaporean leaders had different concepts about community management and economic policies. These differences, therefore, led to the separation of Singapore in August 1965. The Singapore government also was an anti-communist regime.

Although the Indonesian and Singaporean governments declared a non-aligned foreign policy, they also had common interests with ASA governments because of the anti-communist nature of each regime. There were three common interests among the five nations: firstly, the fear of communist influence internally and internationally; secondly, the expectation of economic aid from the United States, the United Kingdom, and Japan; and thirdly, the hope of revitalizing regional cooperation.<sup>12</sup>

As a result, the five governments agreed to establish a new regional organization for cooperation in the region. A conference of the representatives from each nation was held in Bangkok in August 1967. On 8 August 1967, the Foreign Ministers of Indonesia, the Philippines, Singapore, and Thailand, and the Deputy Prime Minister of Malaysia signed the Bangkok Declaration to form the Association of Southeast Asian Nations (ASEAN). ASEAN has existed in the Southeast Asian region since that time.

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<sup>12</sup> Yoshiyuki Hagiwara, "The Formation of ASEAN," in The ASEAN Reader, eds. Sandhu et.al., p. 36.

## **D. THEORY OF REGIONAL INTEGRATION**

In order to understand why these five countries came together to form ASEAN, it is important to look at the common objectives of the cooperating governments. There are at least four purposes that are common to all contemporary states: security, autonomy, welfare, and status and prestige.<sup>13</sup> Not all states place the same priority on those purposes at any given time. The following is a discussion of some of the strategies that governments typically employ to achieve or defend those purposes.

### **1. Security**

The concern has been used by many governments to justify external aggression and the repression of internal opposition. Robes Pierre, Napoleon, Kaiser Wilhelm, Joseph Stalin and some other scholars have justified purges, restraints on the freedom of speech, press, and assembly, character assassination, and even mass murder in the name of “national security.”<sup>14</sup>

Most governments that have launched wars of aggression or significant military interventions abroad have similarly claimed that their policies were designed to defend or preserve national security. Governments also maintain armed forces to deal with threats. Threats are not always explicit and self-evident, nor is there universal agreement that any particular vulnerability will necessarily be exploited by others in a threatening manner.<sup>15</sup> Governments can enhance their security by decreasing vulnerabilities and by diminishing the perceived threat from one or more perceived adversaries.

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<sup>13</sup> Holsti, p. 83.

<sup>14</sup> Ibid., p. 84.

<sup>15</sup> Ibid., p. 85.



There are some common security policies that emphasize threat reduction. Some states adopt isolationist policies to avoid threats, remaining uninvolved in international affairs and avoiding military commitments. Another aspect of isolation is to make oneself sufficiently unattractive as not to invite the attention of others. A second policy, self-reliance, shares with isolation an unwillingness to make military commitments or to accept outside assistance. However, it differs in the means of reducing threats. In isolation, threats are reduced by making oneself unattractive and by rigid exclusion of foreign presences. In self-reliance, threat reduction is achieved essentially by deterrence.

The third security policy is neutrality and non-alignment. States that face obvious vulnerabilities because of geographical location and potential threats may plan their security strategy to remain uninvolved in the conflicts of their neighbors. In exchange they promise not to make military alliances with others, or to allow their territory to be used for interests of another neighbor or other power.

A fourth policy is alliance strategy. Mutual fear is the main cause that leads to an alliance. When two or more parties perceive a common threat, they are likely to engage in various types of military collaboration, which can range from the informal provision of technical advisers, arms, or information, to its most concrete form: a formal alliance.<sup>16</sup>

The final security policy is contracting out. Most states ultimately rely on themselves for security, and do so by deploying various types of armed forces. But sometimes, states are unable to sustain the costs of maintaining such forces. In this case, they contract out to others to provide for their protection.

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<sup>16</sup> *Ibid.*, p. 89.

## **2. Autonomy**

Autonomy is the ability of a nation's government to formulate and carry out its own domestic and external policies based on its own priorities. It is the capacity to withstand influence, coercion, or rule by others.<sup>17</sup> Autonomy can be maintained by building up military, scientific, and economic strength or by reducing reliance upon external sources.

## **3. Welfare**

Welfare typically is identified by various indicators of economic growth and environmental standards. It is also defined in terms of criteria such as religious piety, moral character, family cohesion, and virtuous living. The concept of the welfare state goes far beyond the idea that the government must provide for those who cannot provide for themselves. It also means that the state has a direct responsibility for maximizing economic growth, for minimizing unemployment, and for providing a variety of services that enhance the quality of life and the economic and personal opportunities of all citizens.<sup>18</sup>

## **4. Status and Prestige**

There is no precise meaning to this term as applied to the relations between states, but it can be identified in a commonsense way: Political associations seek to generate deference, respect, and sometimes awe among others.<sup>19</sup> Traditionally prestige and status were earned primarily through military strength and might. At present, leadership in science and technology is also an important contributor to the prestige and status of the state. For many developing countries, visible symbols of industrialization are important sources of status and

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<sup>17</sup> *Ibid.*, p. 96.

<sup>18</sup> *Ibid.*, p. 97.

<sup>19</sup> *Ibid.*, p. 107.

prestige. We can conclude that the search for these values is universal, but governments spend varying amounts of national resources for their promotion.

In the case of Southeast Asia, in the first half of 1960s there were Vietnam-based communist threats in Indochina, which threatened other parts of Southeast Asia, especially Thailand which was perceived as the next possible target. The governments of Indonesia, Malaysia, Philippines, Singapore, and Thailand had the same concern in common, which was to shore up their security against this communist threat. Therefore, they combined and formed the alliance, ASEAN, to prevent communist threats in the region in 1967. However, ASEAN's security cooperation is different from security alliances of other regions, which involve military collaboration. ASEAN does not have either a conventional collective defense or a military pact. The causes of military non-alliance in ASEAN will be discussed later in the puzzle analysis section.

## **E. OBJECTIVES OF ASEAN**

During the conference to establish ASEAN, the representatives from the five member nations discussed the objectives of ASEAN. Their decisions were listed in the Bangkok Declaration, which stated that the objectives of ASEAN were as follows<sup>20</sup>:

1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian nations.

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<sup>20</sup> "The ASEAN Declaration (Bangkok Declaration 8 August 1967," in Collection of ASEAN Documents, ed. Department of ASEAN, Thailand's Ministry of Foreign Affairs (Bangkok, Thailand: Department of ASEAN, 1996), p. 2.

2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter.
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, culture, technical, scientific and administrative fields.
4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres.
5. To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, the improvement of their transportation and communications facilities, and the raising of the living standard of their peoples.
6. To promote South-East Asian studies.
7. To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

Although the objectives of ASEAN covered many areas of cooperation among the member states, especially the social, cultural, and economic fields, economic cooperation was considered to be the most important goal and given emphasis by its member nations. Most of the aims and purposes are associated with the development plans of the members, each of which expected that regional cooperation would reinforce its own economic growth. It is important to note that security and political cooperation were not included in ASEAN's stated objectives at the beginning, since ASEAN did not want to be viewed as a successor of SEATO. Ironically, however, ASEAN spent its first nine years solving regional conflicts



among member countries, such as the Sabah claim, which arose again in early 1968. The organization also faced new problems, such as the 1968 Corregidor Affair between Malaysia and the Philippines, as well as tension over the hanging of two Indonesian marines found guilty of committing acts of sabotage against the Singaporean government in 1968. A security and political cooperation program was ultimately proposed and adopted by the member nations in the Declaration of ASEAN Concord at the Bali Summit, the First ASEAN Summit, in February 1976.

It is also significant to note that ASEAN was not meant to be a military alliance.<sup>21</sup> Cooperation in security matters among the ASEAN countries had to be carried out outside the ASEAN framework during 1967-1975, since a security and political cooperation program was not accepted by ASEAN members yet.<sup>22</sup> Such cooperation exists bilaterally between Malaysia and Thailand, Malaysia and Indonesia, and Malaysia and Singapore along their common borders.

## **F. EVOLUTION OF ASEAN**

Shortly after its establishment, ASEAN's activities were suspended for nearly eight months as a result of deteriorating relations between the Philippines and Malaysia over the Corregidor Affair and the revival of the Philippines' Sabah claim in early 1968. The Corregidor problem occurred when the Philippines government sent a special force of Muslim recruits to train on Corregidor Island. The Malaysian government claimed that their purpose

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<sup>21</sup> Khaw Guat Hoon, "The Evolution of ASEAN, 1967-1975," in The ASEAN Reader, eds. Sandhu et.al., p. 38.

<sup>22</sup> Ibid.

was the invasion of Sabah. Around the same time, the Philippines' Congress enacted a resolution to embrace Sabah as the Philippines' territory. This caused relations to deteriorate between the two countries and they withdrew their diplomats in November 1968. Due to efforts from other ASEAN members to end the conflicts, the relations between the two countries were normalized at the Third ASEAN Ministerial meeting in December 1969.

The other major problem was the conflict between Indonesia and Singapore in October 1968. In spite of appeals from the Indonesian and Malaysian governments, two Indonesian marines found guilty of acts of sabotage were executed by the Singapore government. This event sparked a strong reaction from Indonesian nationalists. However, both Indonesian and Singapore leaders remained calm. Formal talks between diplomats from the two countries were held to solve the problem. Finally, the relations between the two nations were normalized soon after the crisis. Once political tensions had been defused, ASEAN members could turn their attention once again to cooperative efforts.

### **1. ASEAN Summit Meetings**

In the 30 years since the establishment of ASEAN, there have been only five ASEAN Heads of Government Meetings -- called ASEAN Summit Meetings -- among the leaders of member countries.

#### **a. The First ASEAN Summit**

The first ASEAN Summit was not held until February 1976 due to conflicts among member countries in the early years of the organization. At the meeting, the members reviewed and reaffirmed the aims and purposes of the Bangkok Declaration. The original structure of ASEAN was reorganized. Specific areas of cooperation were discussed in

greater detail. Additionally, the members agreed to issue three significant documents: the Treaty of Amity and Cooperation in Southeast Asia, the Declaration of ASEAN Concord, and the Agreement for the Establishment of the ASEAN Secretariat. As a result, nine years after ASEAN's founding, the ASEAN Secretariat was established in Jakarta as a central servicing body. Another important development of the 1976 meeting was the acknowledgement of political cooperation as an ASEAN objective. After the meeting, it was decided that the ASEAN Economic Ministers should convene regularly to develop and fulfill economic cooperation proposals. The members agreed to develop preferential trading arrangements and joint industrial projects. The program of cooperation was proposed to call for conventional approaches and actions in dealing with other regional organizations and individual economic powers.

#### **b. The Second ASEAN Summit**

The second ASEAN Summit was held in Kuala Lumpur in August 1977. The focus of the meeting was to review the progress of the Bali program of action and the Treaty. While this meeting added little additional stimulus to ASEAN collaboration, the Summit was the impetus for the development of ASEAN's external relations which officially started after the Summit.<sup>23</sup>

After the Kuala Lumpur meeting there were a great number of political, economic, technological, and security developments which greatly impacted ASEAN. These developments emphasized ASEAN's concern with peace and stability in the region and

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<sup>23</sup> C.P.F. Luhulima, "The Third ASEAN Summit," in The ASEAN Reader, eds. Sandhu et.al., p. 43.



harshly impeded the progress of ASEAN's economies. Therefore, ASEAN felt it should review the principal foundations of its cooperation and its machinery to enable it to effectively grapple with the various challenges posed by the Cambodian problem, the economic downturn, and the technological substitution of various traditional commodities. It was with a view to a renewed political commitment of the member countries to ASEAN that the Third ASEAN Summit was felt to be a *sine qua non*.<sup>24</sup>

### **c. The Third ASEAN Summit**

The third ASEAN Summit, held in Manila, did not take place until 1987. It is generally believed that the unresolved Philippines claim to Sabah was one obstacle to the convening of the third Summit.<sup>25</sup> This Summit of six member countries<sup>26</sup> discussed mainly economic and political issues. It also concentrated intensively on economic cooperation measures and relations with Japan, which had become the largest trade partner of, and foreign investor in, most of the individual countries of ASEAN.

### **d. The Fourth ASEAN Summit**

The fourth ASEAN Summit was held in Singapore in January 1992. This gathering of the heads of government of six member countries led to agreements to reshape the organization, re-energize integration, and strengthen the stability of Southeast Asia. Rapid global economic changes had been occurring in other regions of the world. Both the European Free Trade Area (EFTA) and the North American Free Trade Area (NAFTA) had been formed. Like other excluded regions, Southeast Asia feared that these new expanded

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<sup>24</sup> *Ibid.*

<sup>25</sup> Chin Kin Wah, "The Institutional Structure," in The ASEAN Reader, eds. Sandhu et.al., p. 53.

regional economic blocs could turn more protectionist, exclusionary, and inward-oriented.

The new blocs threatened ASEAN's export markets and could compete more effectively against ASEAN countries for scarce international investment capital.

At the initiative of Thai Prime Minister Anand Panyarachoon, ASEAN responded to the global economic changes by establishing an ASEAN Free Trade Area (AFTA), to create an economic bloc within ASEAN and to strengthen economic power to compete with other economic blocs. There were three significant documents signed by the country delegates to ASEAN at this Summit establishing AFTA: the Singapore Declaration of 1992 and the Framework Agreement on Enhancing ASEAN Economic Cooperation, which were each signed by the six leaders of member countries, and the Agreement on the Common Effective Preferential Tariff for the ASEAN Free Trade Area, which was signed by the six ASEAN Economic Ministers.<sup>27</sup> To take steps toward AFTA, the members agreed to accept the Indonesian plan for forming a Common Effective Preferential Tariff (CEPT) which would reduce existing tariff rates to 20 percent within eight years and to 0 percent in the following seven years.

There were also some changes in the ASEAN Secretariat which expanded its role. First, it would be able to initiate, recommend, and supervise policies and action plans. Secondly, it would now be headed by the Secretary-General of ASEAN instead of the Secretary-General of the ASEAN Secretariat. Third, the personnel working in the ASEAN Secretariat would now be hired by competitive open recruitment instead of by rotation of

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<sup>26</sup> Brunei became the sixth member of ASEAN in January 1984.

<sup>27</sup> Michael Antolik, "The Fourth ASEAN Summit," in The ASEAN Reader, eds. Sandhu et.al., p. 49.

officials representing member states. Finally, the ASEAN Summit meetings would be organized on a three-year basis instead of the previous uncertain schedule.

In order to increase political cooperation, the members agreed to hold a meeting for political and security cooperation in the Asia Pacific Region, the ASEAN Regional Forum (ARF). This led to the first ARF meeting of Foreign Ministers from 18 countries in Bangkok in July 1994.

#### **e. The Fifth ASEAN Summit**

The fifth ASEAN Summit was held in Bangkok in December 1995 in accordance with the new ASEAN rule which stated that the ASEAN Summit meeting was to be held every three years. Besides the seven members<sup>28</sup> of ASEAN, the last three Southeast Asian countries, Cambodia, Laos, and Myanmar, sent representatives to observe the meeting and discuss with the seven member countries their intentions to join ASEAN.

The Bangkok Declaration of 1995, issued at the Summit, reinforced the commitment of the members to cooperation in political, security, economic, and social and cultural fields. The Declaration also stated that significant goals of ASEAN were to motivate every nation in Southeast Asia to join ASEAN by the year 2000, to solve the territorial disputes in the South China Sea between some ASEAN countries and other countries outside ASEAN, to encourage AFTA to be an effective zone in ASEAN by 2003, and to campaign strongly against drug and AIDS problems. For security cooperation, the members agreed to sign an agreement to form a Southeast Asian Nuclear Weapons Free Zone, which was the

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<sup>28</sup> Vietnam joined ASEAN as the seventh member in July 1995.

same concept as the 1971 ZOPFAN plan, in order to make the ASEAN region free of nuclear weapons. The representatives of Burma, Cambodia, and Laos also signed this agreement.

## **2. Expansion of ASEAN**

At its establishment in 1967, ASEAN membership was limited to Indonesia, Malaysia, the Philippines, Singapore, and Thailand. At present, nine out of ten Southeast Asian countries, except Cambodia, are ASEAN member states.

### **a. Brunei**

Brunei gained independence from the United Kingdom and became a sovereign nation on January 1, 1984. After becoming an independent country, Brunei lost the United Kingdom's protection and still had a dispute over the Limbang territory in Sarawak with Malaysia. Brunei at that time had two alternatives: remain out of ASEAN, or join it. Lacking its British safeguard and fearing the larger Malaysian forces, Brunei decided that the Limbang conflict could be solved by a more diplomatic and amicable manner in the spirit of ASEAN. Brunei therefore requested ASEAN membership and was accepted as the sixth member nation on January 7, 1984.

As a member, Brunei has received many benefits from ASEAN. For example, ASEAN membership has given Brunei a better framework to strengthen relations with its neighbors, especially since Brunei has an equal voice in the decision-making processes of the organization.<sup>29</sup> Secondly, ASEAN membership also safeguards Brunei against threats from extra-regional powers. Though ASEAN is not a military grouping, it is an organization of

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<sup>29</sup> D.S. Ranjit Singh, "Brunei in 1985," Asian Survey, Vol. xxvi, No. 2 (February 1986), p. 170.



non-communist states that tries to keep big-power involvement out of the region by its Zone of Peace, Freedom, and Neutrality (ZOPFAN) concept, declared by ASEAN in 1971, and this augurs well for a new young state.<sup>30</sup> Finally, from the political point of view, membership in ASEAN enhances Brunei's international image and gives substance to its long-cherished dream of being a full-fledged and equal member of the family of nations.<sup>31</sup>

On the economic front, membership in ASEAN only brought minimal advantages to Brunei because Brunei-ASEAN trade is minimal compared to its total trade with the rest of the world. However, Brunei anticipates more political benefits than economic benefits from ASEAN.

#### **b. Vietnam**

Vietnam was accepted by the other six member countries to be the seventh member of ASEAN in 1995. Its admission to membership in ASEAN marked the official end of decades of regional division and Vietnam's isolation from other countries in Southeast Asia.<sup>32</sup> Vietnam practically ended relations with Southeast Asian countries when it invaded Cambodia in December 1978. During the occupation of Cambodia, the ASEAN countries opposed Vietnam's action, and their opposition became a unifying regional issue. Vietnam defeated the Khmer Rouge and ended its large-scale military activities in Cambodia in 1985. In September 1989, Vietnam withdrew its troops from Cambodia after 11 years of occupation. After the withdrawal, Vietnam tried to improve its relations with the ASEAN

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<sup>30</sup> *Ibid.*

<sup>31</sup> *Ibid.*

<sup>32</sup> Brantly Womack, "Vietnam in 1995," *Asian Survey*, Vol. XXXVI, No. 1 (January 1996), p. 81.

countries and signed the ASEAN Treaty of Amity and Cooperation in Southeast Asia in 1992. Finally, with support from other member countries, Vietnam joined ASEAN and became a full member on July 28, 1995.

Membership in ASEAN is crucial for Vietnam's new international identity. Already 30 percent of its current trade is with ASEAN countries, and regional ties of trade, investment, and development cooperation will continue to expand. Just as important, Vietnam's problems and opportunities as a developing country mirror those of its Southeast Asian neighbors. To be part of a regional unit within which conflicts can be mediated and influence on external conflicts can be pooled is something new to Vietnam's world view.<sup>33</sup>

### **c. Burma and Laos**

Burma and Laos were the last two countries accepted by ASEAN. They joined in 1997. Following the fifth Summit Meeting, which established as a goal the membership of all Southeast Asian countries, Thailand was assigned to act as a coordinator to help the other three countries, Burma, Cambodia, and Laos, to join ASEAN. The three countries responded by sending representatives to observe the Fifth ASEAN Summit in Bangkok in December 1995 and the annual ASEAN Foreign Ministers' Meeting, ASEAN Ministerial Meeting, in 1996. They also signed the Treaty of Amity and Cooperation for Southeast Asia. Due to ASEAN's efforts and to the response of these countries, Laos and Burma were admitted into ASEAN at the Thirtieth Annual ASEAN Ministerial Meeting in Malaysia in July 1997. The ASEAN Secretariat and other ASEAN members were also encouraged to continue to provide technical assistance to Laos and Burma. However, at the

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<sup>33</sup> Ibid., p. 82.



same meeting ASEAN postponed Cambodia's membership indefinitely because of the coup staged by Co-Prime Minister Hun Sen ousting First Prime Minister Prince Norodom Ranariddh in early July 1997. "We feel there is still instability in Cambodia, and we reaffirmed our decision not to induct Cambodia," said Malaysian Foreign Minister Abdullah Ahmad Badawi.<sup>34</sup>

As a result, ASEAN, at present, consists of Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

## **G. COOPERATION IN ASEAN**

Although ASEAN members have many areas of cooperation, their primary focus is economic issues. As has been noted, it was not until the Bali Summit in 1976 that a security and political cooperation program was adopted by ASEAN members. However, ASEAN has also concentrated on political and security cooperation since the Bali Summit. It can be concluded that economic as well as political and security cooperation are two significant areas of cooperation in ASEAN. Therefore, this study will focus on these two areas of cooperation.

### **1. Economic Cooperation**

During the first two years of ASEAN's establishment, there was not much cooperation in ASEAN because of regional political conflicts among the member countries. The progress was sluggish in the first nine years of ASEAN's existence. Little progress was made in enlarging intra-ASEAN trade, which was insignificant compared with the total

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<sup>34</sup> "ASEAN rejects Cambodia membership," CNN (Internet), July 24, 1997.

foreign trade of each of the five ASEAN countries, or promoting industrial cooperation. Intra-ASEAN trade declined from 15.5 percent to 12.6 percent during the period 1970-1975.<sup>35</sup>

While ASEAN did not succeed in promoting regional economic cooperation early in its existence, it nonetheless achieved more success in coordinating its bargaining status with other regions.<sup>36</sup> It negotiated collectively with the industrialized powers to advance economic interests. ASEAN established a Special Coordinating Committee of ASEAN Nations (SCCAN) to deal with European Economic Community in 1972. In March 1973, ASEAN created the ASEAN Geneva Committee to coordinate its position at the Multilateral Trade Negotiations under GATT auspices. From 1973 to 1974, ASEAN successfully negotiated with Japan on the issue of Japanese synthetic rubber products. Additionally, successful negotiations were held with Australia on the provision of limited economic aid to ASEAN.

From the first ASEAN Summit (Bali, 1976) until the third ASEAN Summit (Manila, 1987), ASEAN economic cooperation had also been developing at a slow rate. At the Singapore Summit (January 1992), it was obvious that there was a strong aspiration to urge ASEAN forward on economic cooperation, since ASEAN was afraid of the protectionism and competition from other economic blocs such as European Free Trade Area (EFTA) and North Atlantic Free Trade Area (NAFTA). The future source of unity and power is likely to be obtained from this economic bonding process. There are two issues crucial to strengthening intra-ASEAN economic cooperation: first, the enclosing concept of a free trade area; and second, the question whether the free trade area is adequate to strengthen the larger

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<sup>35</sup> Khaw Guat Hoon, in The ASEAN Reader, eds. Sandhu *et.al.*, p. 39.

market formed through intra-ASEAN trade and investment. The size of the benefits will depend on the size of the union, the level of intra-regional trade, and the differences between pre-integration and post integration tariffs. In the case of ASEAN, intra-regional trade was small; the market size was small; and the differences in pre-integration and post-integration tariffs were considerable but narrowing because of unilateral liberalization. However, the size of the ASEAN market in terms of population and purchasing power would become substantial and the potential for international trade was great.

The idea of a free trade area was proposed and discussed at the Manila Summit in 1987, but the concept was not acceptable to all members because of opposition from Indonesia. The idea of the ASEAN Free Trade Area (AFTA) was revived by Thailand in early 1991 and was supported by Singapore Prime Minister Goh Chok Tong. Finally, the proposal of AFTA was accepted at the Singapore Summit in January 1992. The aim of AFTA is to reduce tariffs of intra-ASEAN products to 0-5 percent within 15 years of 1 January 1993. At present, although AFTA is still in the early stages, it creates extensive regional economic cooperation. The details of AFTA will be discussed later in a case study of AFTA chapter.

## **2. Political and Security Cooperation**

Although ASEAN had its roots in regional concerns about communism, it also provided an institutional framework for intra-regional reconciliation and attempted to establish trust among member countries. Its founding declaration did not mention an overt security role or political cooperation. Consequently, ASEAN had neither a conventional

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<sup>36</sup> Ibid.

collective defense nor a collective security function.<sup>37</sup> However, ASEAN has assumed a distinctive security role based on the medium of political negotiation.<sup>38</sup> Additionally, ASEAN represents a very different form of multilateralism when compared with other organizations which have military and defense cooperation, such as SEATO and ANZUK (which consists of Malaysia, Singapore, Australia, New Zealand, and United Kingdom).

At times, ASEAN has proven to be an effective device to solve conflicts among members and to encourage member countries to take an important role at the international level. ASEAN's diplomacy solved the disputed claim to Sabah between the Philippines and Malaysia in early 1968 as well as the confrontation between Indonesia and Singapore concerning the hanging of two Indonesian marines found guilty of acts of terror in Singapore in October 1968.

Even though security and political cooperation were not stated in ASEAN's objectives and were not discussed in any annual Ministerial or formal ASEAN Conference, this topic was proposed and discussed at *ad hoc* Ministerial Meetings before the Bali Summit.

One significant act of political cooperation was the formation of a Zone of Peace, Freedom, and Neutrality in Southeast Asia (ZOPFAN) in 1971. ZOPFAN was originally proposed by Malaysia in the late 1960s. However, Malaysia's ZOPFAN proposal was reviewed and reconsidered again by the ASEAN foreign ministers at their *ad hoc* meeting in Kuala Lumpur in November 1971. After reconsideration, they signed a Declaration to authorize ZOPFAN

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<sup>37</sup> Indorf, in The ASEAN Reader, eds. Sandhu *et.al.*, p. 88.

<sup>38</sup> Ibid.



and promulgated that “the neutralization of Southeast Asia is a desirable objective.”<sup>39</sup> It was further stated that:

*Indonesia, Malaysia, the Philippines, Singapore, and Thailand are determined to exert initially necessary efforts to secure the recognition of, and respect for, Southeast Asia as a Zone of Peace, Freedom, and Neutrality, free from any form or manner of interference by outside Powers.*<sup>40</sup>

There were two more important informal ministerial meetings that demonstrated the importance of political cooperation in ASEAN. The two meetings concerned Vietnam and the implications of the Paris Peace Treaty for Southeast Asia and were held in July 1972 and February 1973 respectively. After the fall of the three Indochinese states to revolutionary communism in January 1976, the first ASEAN Summit, held in Bali in February 1976, created the Declaration of ASEAN Concord, registering a corporate political identity and a commitment to regional stability. The ASEAN Heads of government also concluded the Treaty of Amity and Cooperation (TAC) for Southeast Asia which is a code of international conduct governing peaceful relations among countries in the region in accordance with the Charter of the United Nations. The United Nations General Assembly endorsed the TAC in 1992.

At the fourth ASEAN Summit Meeting in January 1992, Singapore’s Prime Minister Goh Chok Tong proposed that ASEAN should emphasize its external dialogues in political and security matters by using the ASEAN Post Ministerial Conferences (ASEAN-PMC). At the meeting of ASEAN and ASEAN-PMC senior officials in May 1993, Singapore, with support from Australia and the United States, recommended expanding the existing ASEAN-

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<sup>39</sup> Khaw Guat Hoon, in The ASEAN Reader, eds. Sandhu et.al., p. 40.

<sup>40</sup> Ibid.

PMC dialogue structure. The meeting also recommended the additional membership of China, Russia, Vietnam, Laos, which had an observer status within ASEAN, and Papua New Guinea, a long-time observer of the Association's Treaty of Amity and Cooperation. In July 1993, 18 governments sent their foreign ministers to participate in a special meeting in Singapore which coincided with ASEAN's Annual Ministerial Meeting. At the meeting, the members agreed to arrange a separate gathering of the foreign ministers to be called the ASEAN Regional Forum (ARF).

The first working session of the ARF was held in July 1994 in Bangkok with 18 foreign ministers of ASEAN, ASEAN's dialogue partners, and ASEAN's observers or their representatives.<sup>41</sup> The ASEAN Heads of State and government proclaimed their intent to intensify ASEAN's external dialogues in political and security matters as a means of building cooperative ties with states in the Asia-Pacific region.<sup>42</sup> The session had no agenda and it had only the single topic of Asia-Pacific Security -- Challenges and Opportunity. The members did not discuss much in detail, since it was a discussion about the purposes, policies and directions of the ARF. The unanimous view among the members was that the ARF could only ultimately develop into an effective mechanism for providing security if and when the member governments felt comfortable with the means and practice. Finally, the participants agreed to hold the ARF session on an annual basis.

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<sup>41</sup> ASEAN consists of Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. ASEAN's dialogue partners are Australia, Canada, Japan, New Zealand, South Korea, the United States, and the European Union. ASEAN's consultative partners are China and Russia. ASEAN's observers are Laos, Papua New Guinea, and Vietnam.

<sup>42</sup> Chairman's Statement, The First Meeting of the ASEAN Regional Forum (ARF) (Bangkok, Thailand : 1994), p. 1.



The second working session, attended by all ARF participants, was held in Brunei in August 1995. The members welcomed Cambodia as an observer. The session was not basically different in form from the first session but covered much more weighty matters than the first one. The members noted many positive steps taken since the first session in Bangkok in July 1994, particularly those which built confidence and created greater transparency.<sup>43</sup> The participants agreed that the approach of ARF should be developed in three broad stages: the promotion of confidence building, development of preventive diplomacy, and elaboration of approaches to conflicts.<sup>44</sup>

In order to create trust and confidence among the ARF members, there was discussion of the exchange of unclassified military information among members, especially ASEAN member countries. There was also a discussion concerning the conflicts in the South China Sea, and the outcome of the discussion was toward greater cooperation. China confirmed that it was ready to negotiate peacefully with Taiwan, Vietnam, the Philippines, Malaysia, and Brunei, about the Spratly Islands dispute. Additionally, the members agreed to support the 1996 pact that prohibited nuclear weapons experiments.

Another important change was the expansion of the meetings' scope. It was decided that future meetings would cover not only political and military security issues but also economic security, social and welfare issues, and other topics. The meeting also was notable for the presence of defense ministry officials, which was the first time defense personnel were formally involved in an ASEAN forum. Their participation in the ARF's inter-sessional

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<sup>43</sup> Chairman's Statement of the Second ASEAN Regional Forum (ARF), (Bangkok, Thailand: 1995), p. 1.

<sup>44</sup> Ibid., p. 2.

activities indicated that confidence-building could only proceed effectively with the involvement of defense personnel. The meeting's principal accomplishment was the agreement on norms and procedures that gave the ARF an institutional, if embryonic, identity.<sup>45</sup>

The Third ARF was held in Jakarta in July 1996. The members welcomed India and Burma as new participants. The meeting addressed a wide range of issues relevant to the question of peace and security of the Asia Pacific region. There was an extensive discussion about the December 1995 signing of the Southeast Asian Nuclear Weapon Free Zone (SEANWFZ) Treaty by all Heads of Government of Southeast Asian countries, which was another significant contribution by the countries of Southeast Asia to the strengthening of the security in the region and to the maintenance of world peace and stability. The meeting welcomed the end of French nuclear testing in the South Pacific and confirmed their understanding that the Asia-Pacific region would shortly be free of nuclear testing. The meeting also called upon all states participating in the Conference of Disarmament to conclude a universal and multilaterally comprehensive nuclear test ban treaty which contributes to nuclear disarmament and the prevention of the proliferation of nuclear weapons in all its aspects. With reference to the issue of the global elimination of anti-personnel mines, member countries decided to impose a delay and ban on the production, export, and operational use of these weapons. Finally, there was an agreement to seek solutions for conflicts in the South China Sea by peaceful means in accordance with international law in general and with the United Nations Convention on the Law of Sea of 1982 in particular.

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<sup>45</sup> Leifer, p. 44.

In conclusion, ARF is an instrument of regional security policy, but it has created only loose cooperation among member states. The unanimous view among the members was that ARF could only ultimately develop into an effective mechanism for providing security if and when the member governments felt comfortable with the means and practice. Therefore, each state cannot and will not depend for its security on the Forum's ministrations alone. The ARF's limited objective is to improve the environment in which regional relations take place in the hope that bilateral and multilateral problems may be easier to solve. It is also important to remember that ARF is neither a military alliance nor a collective security arrangement. The ARF process is now at Stage I, and members shall continue to discuss means of implementing confidence building.

## **H. PROBLEMS OF ASEAN**

Although member countries cooperate in many fields to help ASEAN become an efficient organization, there are some problems that impede the development of ASEAN. These problems are caused by both internal problems of individual countries and intra-regional problems among the members.

### **1. The internal problems**

The internal problems of some member countries; e.g., religious extremism and racial problems, discourage cooperation in ASEAN. Religious extremism, which is a threat to regional stability in ASEAN, has its roots in the political influence of Islam. The Muslim population is unevenly distributed throughout the region. The majority of people in Brunei, Indonesia, and Malaysia are Muslim while only 3 percent of the population in Thailand, 7

percent in the Philippines, 17 percent in Singapore, and 4 percent in Vietnam are Muslim.<sup>46</sup>

Separatist movements in both the Philippines and Thailand have been organized by Muslim extremists. In the Philippines, the Muslim movement under the Moro National Liberation Front (MNLF) has been active in recent years and has requested more autonomy for Mindanao Island. The request was opposed by the predominantly Christian population of Mindanao. The Philippines government rejected the MNLF's request, and the situation became worse. However, in 1996 the Philippines' government and the MNLF signed an agreement granting autonomy in the southern regions.

In Thailand, there has also been political dissent among the Muslim population, which is concentrated in the southern part of the country. These Muslims oppose the Thai government and have demanded separation from Thailand. While the government remains opposed to their demands, the problem has been lessened significantly due to security cooperation between Thai and Malaysian forces.

Racial problems are found in some ASEAN nations. Malaysia and Singapore, which have a sensitive mix of Malay and Chinese populations, tend to have racial clashes if the two governments fail to handle this matter properly. This is what occurred in the Malaysian and Singapore Chinese chaos in 1959 and 1961.

Governments of individual countries have to devote time and money to addressing these internal problems. This may distract them from collaboration with other members and

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<sup>46</sup> Arsenio L. Tecson, "The Future and Prospect of the Association of Southeast Asian Nation" (Thesis, The Naval Postgraduate School, 1994), p. 68.



impede cooperation within ASEAN. It is logical that ASEAN countries should solve their own problems before cooperating with their counterparts.

## **2. Intra-regional conflicts**

Intra-regional conflicts undermine attempts to foster trust among the member states. Since its inception in 1967, there have been many conflicts among the ASEAN members. It should be noted that Malaysia, located at the center of the region, is involved in most border disputes. The dispute over Sabah in North Borneo between Malaysia and the Philippines in early 1968 was once regarded as the most dangerous bilateral dispute within ASEAN. With the efforts of ASEAN, the problem was abated and the relations between the two countries were normalized in December 1969. The issue is now considerably muted, since the Philippines dropped its claim for Sabah at the second ASEAN Summit in Kuala Lumpur in 1977. However, the claim has not been formally abandoned.

The confrontation between Singapore and Indonesia concerning two Indonesian marines who were found guilty of acts of sabotage and executed by Singapore government despite appeals from Indonesia and Malaysia erupted in October 1968. Fortunately, the problem was solved by a diplomatic process without any serious confrontation.

The common border problem between Malaysia and Thailand arose in the middle of 1960s when Thailand showed concern about the presence of the Malayan Communist Party along its southern border. While Malaysia considered the Malayan Communist Party as a major threat, Thailand viewed them only a minimal threat to its national security, since the Communists' political aims were southward to Malaysia. As a result, Thai armed forces did not approach the communists in the same way as their Malaysian counterparts. The two

governments, therefore, had different concepts of security along the border. At present, Malayan communist parties along the border have been transformed into minor Chinese communist groups in both the northern part of Malaysia and southern part of Thailand which are still internal political threats to their national security.

The dispute over the boundary between Malaysia and Thailand is another ongoing problem. Each government refers to different evidence to claim its boundary. This problem still exists, and it is a very sensitive issue for the two countries.

Another example of an intra-regional problem is the tension between Singapore and Malaysia. The tension arose from Singapore's separation from Malaysia in 1965 and the improvement of Malaysia's and Indonesia's relationship. The Singapore government was concerned about being consumed by its two larger neighbors and acutely aware of its limited defense capability. It then decided to adopt an international posture in order to secure itself. The relationship between Malaysia and Singapore was not established until Mahathir Mohammad became Prime Minister of Malaysia in 1981. They were bound together within a common colonial structure of economic links and personal and family ties. However, the tension has only subsided but has not been completely solved.

Besides the intra-regional problems among ASEAN members, there are also conflicts between the groups of ASEAN countries and countries outside ASEAN. The disputes over the Spratly islands, located in the South China Sea, involve China, Taiwan, and four ASEAN countries, namely Brunei, Malaysia, the Philippines, and Vietnam. Both the Philippines and Malaysia have established military presence in their claimed islands, while China, Taiwan, and



Vietnam have also stationed military forces in the islands they claimed.<sup>47</sup> All countries involved in the disputes have expressed their intentions to solve the problems by peaceful and diplomatic means, and ASEAN has proposed to bring the Spratly issue to the ARF session. However, the means of solving the problem are still unclear.

These conflicts undermine trust and cooperation among the ASEAN members. For example, the Sabah claim between the Philippines and Malaysia and the confrontation between Indonesia and Singapore impeded the development of ASEAN during its first nine years. Although most regional conflicts have been defused by diplomatic means, the conflicts are not formally solved and continue to affect the relationship between the individual countries. This leads to slow progress in the cooperative development of ASEAN.

### **3. The admission of Burma and Laos**

The admission of Burma and Laos as new members may cause some problems for ASEAN. Burma was admitted to ASEAN against opposition from powerful non-member countries. Western nations led by the United States criticized Burma's membership because of its political and human rights record. The EU also suspended all high-level contacts with Burma in protest of the military regime's suppression of democracy and human rights. However, at the Thirtieth Ministerial Meeting in Malaysia in July 1997, ASEAN rejected Western criticism for admitting Burma, which joined the group along with Laos. "ASEAN must resist and reject such attempts at coercion," Malaysian Prime Minister Mahathir Mohamad said. He also added that ASEAN prefers a policy of non-intervention in the affairs

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<sup>47</sup> Michael W. Studeman, "Dragon in The Shadows: Calculating China's Advances in The South China Sea" (Thesis, The Naval Postgraduate School, 1998), p. 105.

of other countries, opting for what it calls constructive engagement to bring about change, and rejecting economic sanctions.<sup>48</sup>

This issue affects both economic and political relations between ASEAN and Western European countries as well as the United States. For example, on 12 November 1997, the European Union (EU) cancelled a scheduled meeting with members of ASEAN because of disagreement over Burma's participation. The meeting was expected to pave the way for strong trade and customs cooperation and signal both sides' heightened political interest in each other.<sup>49</sup> In a letter sent to the EU in early November, ASEAN stressed that it wanted the Burmese representative to have full observer status. But EU officials replied that the 15 EU governments had agreed that Burma could attend the Bangkok Meeting -- but only informally and in a passive capacity. A spokesman for the EU Commission said, "the bloc regretted the decision to call off the meeting but insisted that ASEAN's demands that Burma should be given full observer status in the talks were not accepted."<sup>50</sup> An EU official also commented, "We think our proposals were constructive. They were meant to ensure that our relations with ASEAN did not suffer because of disagreement over Burma. But unfortunately, they were not accepted by ASEAN."<sup>51</sup> In response to the EU's objection, Malaysian Prime Minister Mahathir Mohammad said ASEAN might boycott the EU-ASEAN summit if EU excludes Burma.<sup>52</sup> Secondly, there is unequal development between new and old members, especially Burma and Laos which are undeveloped and under centralized control. At present,

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<sup>48</sup> "ASEAN to West: Stay Out of Our Affairs," CNN (Internet), July 24, 1997.

<sup>49</sup> "Burma Row Forces Union to Cancel Talks," Bangkok Post (Internet), November 13, 1997.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

Burma and Laos are still undeveloped countries, while Singapore and Malaysia are stepping forward to New Industrial Countries (NICS). This big difference may delay development of ASEAN. Although the older members did express their desire to help their newer counterparts at the Thirtieth Annual ASEAN Ministerial Meeting in Malaysia in July 1997, at which Burma and Laos were admitted to ASEAN, much depends on how seriously the old members intend to help. However, technical assistance to new members is needed for collective benefit of ASEAN in the long run. At the same time, the new members must try to adjust themselves to the new level of development.

#### **4. ASEAN Individual Vice Collective Interests**

ASEAN members focus on their individual interests rather than collective interests. This leads to slow progress of ASEAN cooperation, since ASEAN needs more serious commitments from individual countries. For example, a significant problem facing AFTA is that the members can not agree on the list of goods whose tariffs ASEAN will have to reduce to 0-5 percent. As many as possible must be reduced by 2000 to achieve a zero tariff goal by 2003. Each country tries to keep its goods that cannot compete with others off the tariff reduction lists, especially countries such as Indonesia, the Philippines, and Thailand that mainly produce agricultural products.

Another of AFTA's problems is the hesitation of some countries in joining. For example, at first Indonesia hesitated to join AFTA because it thought that the only country that would receive significant benefits from AFTA was Singapore.<sup>53</sup> Singapore, which

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<sup>52</sup> Ibid.

<sup>53</sup> Patcharavalai Wongboonsin, "ASEAN," in *Annual ASIA 1996/2539*, ed. Watcharin Yongsiri (Bangkok, Thailand: Chulalongkorn University, 1996), p. 68. (Thai Version)

produces mainly industrial goods, has already reduced its tariffs to zero percent and has requested that other ASEAN agricultural countries reduce their tariffs. Indonesia, therefore, thought that its tariff reduction would directly benefit Singapore.

## **5. Formation of Multilateral Economic Structures**

The formation of a new form of multilateral economic structure, the Asia-Pacific Economic Cooperation (APEC), initiated by Australia in November 1989, obscures the policies, direction, and future of ASEAN. The problem that may occur if ASEAN as an organization is absorbed within APEC, is that ASEAN will lose its political identity and AFTA will be diluted because APEC also focuses on political and economic objectives. Additionally, an effort by the Malaysian Prime Minister Mahathir Mohammad to establish a new organization, the East Asia Economic Caucus (EAEC), to gain economic cooperation in East Asia and to eliminate the influence of the United States, Canada, Australia, and New Zealand from Asia, may undermine cooperation in ASEAN. While member countries are trying to develop cooperation in ASEAN, especially in political and economic fields, the formation of EAEC, which would be a loose consultative grouping and would not have clear objectives, could obscure and aggravate the cooperation and development of ASEAN.

## **I. ANALYSIS OF THE PUZZLE: WHY DOES ASEAN STILL AVOID REGIONAL SECURITY COOPERATION?**

Although the objectives of ASEAN laid out in the Bangkok Declaration of 1967 did not include security cooperation, there has been continuous security cooperation among member states since the establishment of ASEAN. During the first nine years, despite military non-alliance, ASEAN succeeded in using diplomatic means to solve regional conflicts among



the members. At the Kuala Lumpur Declaration in November 1971, ZOPFAN, initiated by Malaysia, was formed in order to make Southeast Asia a Zone of Peace, Freedom, and Neutrality. ASEAN also called for the recognition of the neutrality of Southeast Asia from the United States, the Soviet Union and China.

At the Bali Summit in 1976, ASEAN members agreed to sign the Treaty of Amity and Cooperation in Southeast Asia and the Declaration of ASEAN Concord. Political and security cooperation was explicitly recognized as an ASEAN objective. Article 9 of the Treaty of Amity and Cooperation stated that

*The high contracting parties shall endeavor to foster cooperation in the furtherance of the cause of peace, harmony, and stability in the region. To this end, the high contracting parties shall maintain regular contacts and consultations with one another on international and regional matters with a view to coordinating their views, actions, and policies.*<sup>54</sup>

Chapter VI of the Treaty dealt specifically with settlement of disputes. The contracting parties agreed to refrain from the threat or use of force to settle disputes and instead resort to the mechanism provided by the Treaty. The Declaration of ASEAN Concord stipulated a program of action which covered not only the social, cultural, and economic fields but also political activities.

During the Vietnamese occupation of Cambodia from 1978 to 1989, ASEAN members led by Thailand cooperated to demand the withdrawal of Vietnamese troops. ASEAN also called on the United Nations Security Council to take action in this issue. Unfortunately, ASEAN did

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<sup>54</sup> "Treaty of Amity and Cooperation in Southeast Asia, Bali, 24 February 1976," in Collection of ASEAN Documents, ed. Department of ASEAN, Thailand's Ministry of Foreign Affairs (Bangkok, Thailand: Department of ASEAN, 1996), p. 4.



not succeed in influencing Vietnam to withdraw its troops. Vietnam finally withdrew its forces from Cambodia due to declining support from the Soviet Union in 1989.

ARF was formed as an instrument of Asia-Pacific security policy in July 1993. However, ARF is still in the early stage of cooperation and only a venue for convening to discuss regional security policy. There has not been concrete security cooperation among member states yet. In December 1995, all Heads of Government of the Southeast Asian nations signed the Southeast Asian Nuclear Weapon Free Zone (SEANWFZ) Treaty to strengthen the security in the region and to maintain world peace and stability. However, the Treaty still has some problems with world nuclear powers, such as the United States.

Based on the political and security cooperation among the ASEAN members stated above, we can conclude that ASEAN has definitely had regional security cooperation since its establishment. However, its regional security cooperation is considered loose cooperation. The only security device ASEAN has utilized during its thirty years of existence is diplomatic negotiation. Unlike other security groupings, ASEAN does not have concrete regional security cooperation because it has neither a conventional collective defense nor a collective security function. In other words, ASEAN should be called a security community without a military pact to assure collective security from external threats.

Given that security concerns were the main focus of the arrangement, why does ASEAN still avoid concrete regional security cooperation? To answer this puzzle, we should divide the period of security cooperation into two main periods, the first from 1967 to 1976, and the second from 1976 to the present.

## **1. The First Period (1967-1976)**

During this period, ASEAN did not develop much regional security cooperation, since security was not yet included in the objectives of ASEAN. ASEAN spent most of its time solving regional conflicts among member countries by diplomatic negotiation. The reluctance of ASEAN to assume any collective military role for regional security may be explained by three different reasons.<sup>55</sup> First, ASEAN did not want to be viewed as a successor to SEATO, which was considered a part of the worldwide U.S.-led system of anti-communist military alliances rather than a Southeast Asian regional organization aimed at intra-regional cooperation. In the opinion of ASEAN's members, an appearance as SEATO's successor, which would project the ASEAN members' generally pro-Western orientation, would aggravate big communist countries, such as China and the Soviet Union.

Secondly, Indonesia in particular did not want to compromise its non-aligned status. In the early 1960s, the Indonesian government declared a non-aligned foreign policy, but like the other founding members of ASEAN it also was committed to anti-communist policies. Therefore, it cooperated with its non-communist neighbors to establish ASEAN in 1967. However, during the process of ASEAN's formation, Indonesia's initial draft of the agreement to establish ASEAN argued for a regionally self reliant approach to the management of regional security.<sup>56</sup> Although the draft met with strong objections from the

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<sup>55</sup> M. Santoso E. Nugroho, "ASEAN and Security in Southeast Asia" (Thesis, The Naval Postgraduate School, 1994), p. 19.

<sup>56</sup> *Ibid.*, p. 24.

prospective regional partners at first, Indonesia was able to maintain the concept in the preamble of the Bangkok Declaration, which stated that:

*All foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of states in the area of prejudice the orderly processes of their national development.*<sup>57</sup>

Finally, a military alliance had been out of the question partly because of the members' lack of military capabilities. Each member wanted to use its limited troops to protect itself rather than commit them to collective defense. Moreover, ASEAN's founding fathers had been only too aware of the danger of provoking a menacing response through a premature attempt to confront the problems of regional security head on in military form.<sup>58</sup>

## **2. The Second Period (1976-present)**

Although ASEAN now has the basis for some regional security cooperation, as mentioned earlier, it still does not have a collective security function. ASEAN's security cooperation is still considered loose cooperation. There are two possible reasons to explain the reluctance of members to cooperate in a collective military fashion. First, the regional conflicts existing in the past still affect relations among member countries. As stated earlier, there have been many conflicts in the region both before and after the establishment of ASEAN in 1967. Most conflicts have been suspended because of diplomatic negotiations but not formally solved. This discourages close relations among member countries. For example,

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<sup>57</sup> "The ASEAN Declaration (Bangkok Declaration), Bangkok, 8 August 1967," in Collection of ASEAN Documents, ed. Department of ASEAN, Thailand's Ministry of Foreign Affairs, p. 1.

<sup>58</sup> Nugroho, p. 19.

the cool relations between Malaysia and Singapore caused by Singapore's separation from Malaysia in 1965 were only normalized in 1981 when Mahathir Mohammad became Malaysian Prime Minister. Bilateral relations between Malaysia and Philippines, which deteriorated when the latter made its Sabah claim in 1962 and revived it in 1968, did not begin to recover until the political downfall of Marcos in 1986. The relations between the two countries were normalized when President Aquino initiated formal talks with her Malaysian counterpart in 1987. However, there is no guarantee how long good relations among member countries will last, since the conflicts are not completely solved.

In addition, uncomfortable relations among ASEAN members remain. The root causes of the regional conflicts in the past continue, causing distrust among them. Distrust results from the diversity of ethnic groups, religions, languages, societies, and cultures of individual countries. Because of this distrust, each ASEAN country tries to protect itself by unilateral security rather than combine together to create collective security arrangements.

These reasons account for loose security cooperation in ASEAN in both time periods. However, these reasons seem to be more important in the second period. If ASEAN members can eliminate distrust among them, it may be possible for them to have collective security arrangements.

## **J. CONCLUSION**

The main reason that Southeast Asian nations combined and cooperated in the first place was for security reasons. Beyond this anti-communist unity in the region, there were two more reasons for integration: first, the expectation of economic aid from the United



States, the United Kingdom, and Japan; and secondly, the hope of revitalizing regional cooperation.

The Bangkok Declaration briefly spelled out the aims and purposes of ASEAN, which were primarily social, cultural, and economic in nature. However, economic cooperation was clearly given preeminence. Nowhere was it stated that the ASEAN states would cooperate on political and security matters, although regional anti-communism was the main purpose of establishment. The security and political cooperation programs were proposed and adopted by the member nations in the Declaration of ASEAN Concord at the Bali Summit, the First ASEAN Summit, in February 1976. However, the progress in cooperation was sluggish in the first nine years of ASEAN's existence because members spent most of their time trying to defuse regional conflicts.

At the beginning, the main goal of ASEAN was only economic cooperation. ASEAN, however, has gradually expanded its goals into political and security cooperation. The existence of ASEAN is a significant factor that has helped member countries to focus on economic development. Through this regional organization, ASEAN nations benefit in their dealings with third countries. Intra-regional trade is small, accounting for about 20 percent of the total trade of ASEAN, but this is hardly surprising given the resource and factor endowments of the member countries, whose economies are competitive and not complementary. One cannot therefore attribute the low level of intra-ASEAN trade entirely to lack of progress in terms of trade liberalization.<sup>59</sup> AFTA, initiated in 1992, is an effective

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<sup>59</sup> Mohamed Ariff, "The Changing Role ASEAN in the Coming Decades," in The ASEAN Reader, eds. Sandhu et.al., p. 210.



device ASEAN countries use to deal with other economic blocs such as the EC and NAFTA. There are, however, disagreements in AFTA among members, since many countries try to advance their own interests rather than collective interests.

For political and security cooperation, ASEAN has been viewed as a successful regional organization for solving regional conflicts. Even though ASEAN has neither a conventional collective defense nor a collective security function, diplomatic negotiations have been used as effective diplomatic devices to solve the conflicts among member countries. As a result, no armed conflicts have erupted within ASEAN since its formation.

Despite its lack of a military-security role, ASEAN has been able to coordinate its regional policies with relative harmony and to some political effect.

ARF, established in 1993, has been used as an instrument of ASEAN security policy. For example, the disputes over the Spratly islands have been discussed in the ARF working sessions. ASEAN has shown its identity in the Pan-Pacific international level. With a more cohesive organization and stronger solidarity, ASEAN will be in a better negotiating position with other external and internal groups on security as well as economic issues.

However, regional security cooperation within ASEAN is minimal, what I call “loose cooperation.” The reasons why ASEAN still avoids closer regional security cooperation should be considered in two main periods. In the first period (1967-1976), ASEAN hesitated to assume a collective military role for three possible reasons. First, ASEAN did not want to be viewed as a successor of SEATO, which would make it vulnerable to attack by communist countries, such as China and the Soviet Union. Second, Indonesia in particular did not want to forfeit its non-aligned status. Finally, an alliance had been out of the question

because of the members' lack of military capabilities. In the second period (1976-present), there are two reasons ASEAN has not developed closer security cooperation. Unresolved past regional conflicts still affect relations among member countries. In addition, distrust within ASEAN caused by uncomfortable relations and the diversity of ethnic groups, religions, languages, cultures, and societies of member countries make only loose security cooperation possible. Closer regional security cooperation will be possible if ASEAN can eliminate distrust among member countries.

When ASEAN was established in 1967 by five small countries in Southeast Asia, it was viewed by other regional groupings as a small organization that was not important and would not survive for a long time. During thirty years of existence, the evolution of ASEAN was not steady due to regional conflicts, lack of intra-regional cooperation, and global changes. However, at present ASEAN consists of nine member states, and the organization has important roles at the international level. Although ASEAN is successful in regional integration, there are some internal problems of individual countries and intra-regional problems that impede the development of ASEAN. Therefore, each member country should commit itself to collective interests rather than solely individual interests. Additionally, the old members should sincerely assist the new members to adjust themselves to new economic and technology development as well as rapid global changes. The development and future of ASEAN depends on the cooperation of all member countries.



### **III. THAILAND'S COOPERATION IN ASEAN**

#### **A. INTRODUCTION**

Before the establishment of ASEAN, Thailand played a mediatory role in seeking solutions to regional conflicts between Indonesia, Malaysia, and the Philippines, most of which had diminished by 1966. Since the establishment of ASEAN, Thailand, one of the founding members, has always played important roles in ASEAN. For example, it encouraged the establishment of the association by the 1967 Bangkok Declaration and served as a mediator to solve the conflicts between other members. It led ASEAN to oppose Vietnamese occupation of Cambodia between 1978 and 1989. In 1992, it initiated the establishment of the ASEAN Free Trade Area (AFTA). Thailand, assigned by other members, also acted as a coordinator to bring Burma and Laos to join ASEAN in July 1997.

At present, Thailand is one of the leading members of, and has important roles in, ASEAN. However, there are some questions about Thailand and ASEAN, such as: Why did Thailand cooperate in ASEAN in the first place? What kind of cooperation benefits does Thailand gain from ASEAN? Therefore, this chapter will study Thailand in ASEAN from the establishment of the latter until now. The study will cover four topics: the causes of Thailand's initial cooperation in ASEAN; Thailand's roles in ASEAN; the benefits Thailand gains from ASEAN; and problems of Thailand in ASEAN.

## **B. THE CAUSES OF THAILAND'S INITIAL COOPERATION IN ASEAN**

After World War II, communist Chinese support for local insurgencies in Southeast Asia prompted Thailand to cooperate with other anticommunist nations. The formal installation of a communist administration in Hanoi after the victory of the Viet Minh over the French in 1954 caused Thailand to sign the Manila Pact, a collective security agreement, in September 1954. SEATO, a worldwide US-led system of anti-Communist organization, was formed in the same year. Thailand, therefore, became one of the members of SEATO. In 1961, Thailand joined Malaysia and the Philippines to form ASA for regional cooperation. But it had a short life and was disrupted in 1963 due to conflicts between Malaysia and the Philippines.

In 1962, the United States and Thailand reached a new agreement, the Rusk-Thanat agreement (named after then-Secretary of State Dean Rusk and then-Minister of Foreign Affairs Thanat Khoman). Under the agreement, in the event of aggression the United States would help Thailand unilaterally without prior agreement of all other parties to the Manila Pact.<sup>60</sup> During the 1960s, Thailand maintained close economic and security ties with the United States, while at the same time striving to foster regional cooperation with its noncommunist neighbors. Its assumption was that regional solidarity and national security were mutually reinforcing and would provide an effective deterrence to communism.<sup>61</sup>

During the 1960s, the communist influence in Indochina, backed by China and the Soviet Union, caused concerns among the Southeast Asian states, especially Thailand. At the

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<sup>60</sup> Rinn-Sup Shinn, "Government and Politics," in Thailand: A Country Study, ed. Barbara Leith Lepower (Washington D.C.: U.S. Government Printing Office, 1989), p. 215.

<sup>61</sup> Ibid.



time, Thailand's national security policy was based on the assumptions that China and North Vietnam were pursuing an aggressive and expansionist policy, that Thailand is highly exposed due to its geographic position, and that its internal subversive groups provide ready agents for foreign communist powers.<sup>62</sup> Therefore, since the 1960s, Thailand has been instrumental in encouraging regional cooperation among the noncommunist states of Southeast Asia.

In 1967, Thailand encouraged the establishment of a new regional organization by convening a meeting in Bangkok in August 1967. At the meeting, all five members, Indonesia, Malaysia, Philippines, Singapore, and Thailand, expressed the same concerns about political security. That is, each member was fearful of internal communist subversion possibly backed by Vietnam, China, and the Soviet Union as well as concerned that the United States would withdraw from Southeast Asia after the Vietnam War. Hence they concluded that their common domestic security could best be obtained through a united front.<sup>63</sup> Therefore, they agreed that Southeast Asian countries should cooperate to protect themselves from communist threat in the region. Additionally, they also decided to cooperate in other areas as well. As a result, representatives of Thailand and the other four countries decided to establish ASEAN at the Bangkok Summit on 8 August 1967.

Aside from the common security concern about communism in Indochina, Thailand also expected to cooperate with other ASEAN members in other areas, such as the economic, social, cultural, technical, scientific, and administrative spheres. However,

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<sup>62</sup> Astri Suhrki, "Smaller Nation Diplomacy: Thailand's Current Dilemmas," Asian Survey, Vol. XI, No.5, May 1971, p. 433.

<sup>63</sup> Sheldon W. Simon, "The Parallel Tracks of Asian Multilateralism," in Southeast Asia Security in the New Millennium, eds. Richard J. Ellings and Sheldon W. Simon (New York: M.E. Sharpe, Inc., 1996), p. 17.

economic cooperation has evolved as the most important priority, since there had not been economic cooperation in Southeast Asia before the establishment of ASEAN. Although ASA had an objective for mutual assistance in economic affairs, it did not succeed in this realm.

### **C. THAILAND'S ROLES IN ASEAN**

ASEAN has been around in Southeast Asia for thirty years. There has been a lot of cooperation between member countries in many areas. Thailand, one of the founding members, has always played significant roles in ASEAN since the beginning.

#### **1. Diplomatic Role**

Unlike other states in Southeast Asia, Thailand seldom has serious conflicts with other countries because of the relatively non-confrontational political policy of the government. Moreover, Thailand frequently has acted as mediator to help solve problems between other states. For example, in 1962, there was a dispute over Sabah between the Philippines and Malaya as well as an opposition of Indonesia for the formation of the Federation of Malaysia. These conflicts led to the demise of ASA in 1963. The conflicts between the three countries were diminished when Soeharto succeeded Sukarno in Indonesia, and Marcos came to power in the Philippines after elections in 1965. In June 1966, Thailand played a diplomatic role in solving the conflicts by holding a formal negotiation between Indonesia and Malaysia. As a result, the conflicts ended by diplomatic means.

In August 1967, Thailand held the meeting in Bangkok for the representatives from five nations to establish ASEAN. Shortly after the establishment of ASEAN, there were other conflicts between the Philippines and Malaysia over the Corregidor Affair and a revival of the

Philippines' Sabah claim in 1968. Thailand once again played a mediatory role to end the conflicts. As a result, the relations between the other two countries were normalized in 1969.

Another example of Thailand's mediational role came in the establishment of the ASEAN Free Trade Area (AFTA). The idea of AFTA was revived by Thailand in the early 1991. But other member countries except Singapore disagreed with the establishment of AFTA, since they were not sure who would receive the benefits from AFTA. However, Thai Prime Minister Anand Panyarachoon and his staff succeeded in convincing other states of the agreement to establish AFTA at the Singapore Summit in 1992.

Because of the new goal to embrace all ten countries in Southeast Asia to ASEAN, Thailand has played a diplomatic role to encourage the final three Southeast Asian countries, Burma, Cambodia, and Laos, to join ASEAN by the year 2000. At the ASEAN Ministerial Meeting in Bangkok in July 1995, Prime Minister Chuan called for the expansion of ASEAN to include all ten countries "as speedily as practicable."<sup>64</sup> Laos and Burma were admitted into ASEAN in July 1997, while Cambodia's admission was postponed because of its internal political problems.

## **2. Economic Role**

In the beginning, the main objective of ASEAN was to promote economic cooperation in the region. However, in the first nine years of its existence, ASEAN's progress in economic cooperation was slow because ASEAN spent most of its time trying to solve disputes peacefully and create friendship and trust between the members. As a result,

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<sup>64</sup> Kusuma Snitwongse, "Thailand in 1994," *Asian Survey*, Vol. XXXV, No. 2, February 1995, p. 200.

there was not much cooperation between Thailand and other member countries during this period.

Thailand's new role in the economic arena started at the end of the 1980s. In 1989, under the Chatichai administration policy toward Indochina, "Change the battlefield into a trading market,"<sup>65</sup> Thailand suddenly decided to trade with and invest in Indochinese countries, Vietnam, Cambodia, and Laos. This policy is something which Chatichai had not discussed beforehand with the other ASEAN governments and was quite different from their thinking.<sup>66</sup> As Premier Anand put it in May 1991, "Thailand will act as a bridge between ASEAN and the Asian mainland (especially Vietnam) but will continue to regard ASEAN as a foreign-policy anchor."<sup>67</sup>

Thailand's important role in economic cooperation is manifested in its leadership within ASEAN in an effort to create a free trade area. Thailand has had a high economic growth rate since 1980 by emphasizing exports and foreign investment in the country. In 1987, the Thai economic growth rate started to decline because of the competition from other ASEAN member countries. To maintain its economic growth, Thailand decided to create a new economic bloc within ASEAN in order to decrease competition and increase cooperation among the member countries. By extending its domestic economic growth programs from the national to the regional level, Thai officials hope to improve the domestic

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<sup>65</sup> Elliot Kulick and Dick Wilson, Thailand's Turn (New York: St. Martin's Press, 1992), p. 157.

<sup>66</sup> Ibid., p. 160.

<sup>67</sup> Ibid.



economy and strengthen the capacity to meet external threats.<sup>68</sup> There were two factors that brought about the success of Thailand in initiating AFTA. Firstly, ASEAN leaders were concerned by what they perceived as unfavorable developments in the world economy.<sup>69</sup> Progress in the Uruguay Round of GATT talks had been slow, and its eventual successful conclusion was uncertain in 1991. Secondly, ASEAN feared protectionism from other regional trading blocs. One econometric study estimated that ASEAN would lose 4 percent of the value of its 1988 exports to North America from the trade diverting effects of NAFTA, and 8 percent of the value of its exports to the European market from trade diversion caused by the conclusion of the Single Integrated Market.<sup>70</sup> Although the creation of AFTA would not in itself reverse these effects, ASEAN leaders perceived AFTA as a means of providing the region with the opportunity to make its voice heard more effectively in world trade talks and of increasing its bargaining leverage with trading partners.<sup>71</sup>

### **3. Political and Security Role**

At the beginning of ASEAN, the biggest concern for security of Thailand was communism in Indochina. Thailand got involved in any form of regional cooperation which would ensure its survival against this threat. In the 1960s Thailand was a member of SEATO and its security was guaranteed by the United States until the end of Vietnam War in 1975. For political and security cooperation in ASEAN, Thailand joined other member countries, led by Indonesia and Malaysia, in November 1971 in developing a regional security policy

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<sup>68</sup> Clark D. Neher, "Post-Cold War Security Issues in Thailand and the Philippines," in Southeast Asia Security in the New Millennium, eds. Ellings et.al., p. 167.

<sup>69</sup> John Ravenhill, "Economic Cooperation in Southeast Asia," Asian Survey, Vol. XXXV, No. 9, September 1995, p. 854.

<sup>70</sup> Study is cited in Ibid.



policy which declared Southeast Asia's long-term interest in Cold War nonalignment—the Zone of Peace, Freedom, and Neutrality (ZOPFAN)—and insisted that foreign bases (in particular the US bases in the Philippines) ultimately be removed.<sup>72</sup> The primary goal of ZOPFAN was to prevent either the Soviet Union or China from establishing new bases in Indochina by insisting on ASEAN's neutrality. Moreover, ASEAN had called for the neutrality of Southeast Asia to be guaranteed, recognized, and respected by the three major powers, the United States, the Soviet Union, and China. At the first ASEAN Summit in Bali, February 1976, Thailand joined other member countries in establishing the Treaty of Amity and Cooperation in Southeast Asia and the Declaration of ASEAN Concord to promote peace, friendship, and political cooperation in the region.

Thailand acted as a leading member of ASEAN in the Vietnam-Cambodia conflict in the late 1970s. After the Vietnam War and the withdrawal of US troops from Southeast Asia, Vietnam expanded its communist influence into Indochina. In December 1978, Soviet-backed Vietnam invaded and occupied Cambodia. There were widespread fears within the region, especially in Thailand, that the invasion might indeed signal the beginning of the so-called “domino effect.”<sup>73</sup> Thailand seemed the obvious next target of communist Vietnam and could no longer rely on Cambodia as a buffer against Vietnamese power. The increasing utility of ASEAN as a diplomatic tool was perhaps best illustrated by the ASEAN-Vietnamese confrontation over the Cambodia conflict.<sup>74</sup> Regarding Vietnam as a major threat to its

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<sup>71</sup> *Ibid.*

<sup>72</sup> Simon, in *Southeast Asia Security in the New Millennium*, eds. Ellings et.al., p. 17.

<sup>73</sup> Bilson Kurus, “Understanding ASEAN: Benefits and Raison d’Etre,” *Asian Survey* Vol. XXXIII, No. 8, August 1993, p. 821.

<sup>74</sup> *Ibid.*, p. 822.

security, Thailand joined other ASEAN countries to oppose the occupation of Cambodia. Thailand particularly benefited from the willingness of the other ASEAN states to recognize its front-line status and give greater weight to Thailand's voice in regard to the Vietnamese invasion of Cambodia, especially during the early and most testing years of the conflict.<sup>75</sup> To demand the withdrawal of Vietnamese troops, ASEAN issued a statement in January 1979, condemning the Vietnamese action and calling on the United Nations Security Council to take immediate action. However, a veto by the Soviet Union prevented the adoption of a draft resolution that would have condemned the Vietnamese invasion and demanded the immediate withdrawal of all foreign troops from Cambodia.<sup>76</sup> This issue was discussed during many *ad hoc* ASEAN Foreign Ministers meetings held in Bangkok in the early 1980s.

The cooperation between ASEAN and the UN to solve the problem continued in 1980s. In July 1985, with the approval of the Eighteenth meeting of ASEAN Foreign Ministers, Thailand held negotiations between the four Cambodian factions and Vietnam in Bangkok. Unfortunately, the negotiations could not reach an agreement, and the Vietnamese occupation continued. Although Thailand-led ASEAN strived to solve the Vietnamese-Cambodia conflict, ASEAN had little influence over Vietnam and was unable to offer Vietnam any incentive for a withdrawal of forces. Finally, because of the decline of support from the USSR at the end of the Cold War, Vietnam withdrew its forces from Cambodia in 1989.

Another security activity of ASEAN that Thailand cooperated with is the ASEAN Regional Forum (ARF), proposed by Singapore at the fourth ASEAN Summit Meeting in

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<sup>75</sup> *Ibid.*, p. 824.

January 1992. The ARF evolved gradually from ASEAN Institutes of Security and International Studies (ISIS) meetings to the ASEAN Post-Ministerial Conferences, which inaugurated security discussions in 1992 to a Senior Officials Meeting (SOM) in July 1993, which, in turn, announced the creation of an annual Regional Forum to begin the following year.<sup>77</sup> At the first ARF working session in Bangkok in July 1994, the participants understood that ASEAN would remain the core group for the ARF, all other members affiliating only as individual countries.<sup>78</sup> Right now, ARF is still in the first stage, a confidence building process among the members.

#### **D. THE BENEFITS THAILAND GAINS FROM ASEAN**

Although membership in ASEAN costs Thailand in financial and resource terms, Thailand has nonetheless received many benefits from ASEAN.

##### **1. Trust and Reliability from Other Member Countries**

While it is difficult to measure concretely trust and reliability, it is clear that other members have come to rely upon Thailand to handle effectively responsibilities as a mediator.

Because of the diplomatic and mediating roles Thailand has played since the establishment of the ASEAN, other ASEAN member countries have come to rely upon Thailand. For example, Thailand has been assigned to hold many important ASEAN and international meetings. Of the five ASEAN Summit meetings, two (1967 and 1995) were held in Bangkok.

After the establishment of ARF in 1993, Thailand hosted the first ARF meeting in 1994. In

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<sup>76</sup> *Ibid.*, p. 821.

<sup>77</sup> Simon, in *Southeast Asia Security in the New Millennium*, eds. Ellings *et.al.*, p. 27.

<sup>78</sup> *Ibid.*, p. 30.

March 1996, Bangkok was selected to be the host of the first Asia-Europe Meeting (ASEM).<sup>79</sup> The purpose of ASEM was to create political, economic, social, and cultural cooperation between Asia and Europe.

Partially because of the good will Thailand had generated among other members, Thailand, led by Prime Minister Anand, succeeded in initiating AFTA in 1991. After an agreement of the member countries on Anand's proposal, AFTA was established at the Singapore Summit in 1992. Additionally, Thailand was asked by other members to play a diplomatic role in expanding the membership of ASEAN to Burma, Cambodia, and Laos.

## **2. Economic Benefits**

Thailand's trade with ASEAN has continuously increased since the 1980s. In the early 1990s, the total trade between Thailand and ASEAN was high compared with that in the past period. For example, during 1991-1993, Thailand's trade with ASEAN was about 12-14 percent of its total trade.<sup>80</sup> In 1994, the value of its trade, imports and exports, with ASEAN was 307,764.1 million Baht (25.3 Baht=\$1) or 15.1 percent of its total trade.<sup>81</sup> The important Thai trading partners in 1994 were Singapore, Malaysia, Indonesia, the Philippines, and Brunei, which provided a percentage of total trade with Thailand 9.7, 3.8, 0.8, 0.6, and 0.2 respectively.<sup>82</sup> At present, important goods Thailand exports to ASEAN are computer components, plastic products, electronic circuits, audio equipments, clothes, and agricultural

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<sup>79</sup> The members of ASEM were 26 leaders from 25 countries, comprising 15 member countries of European Community, 7 ASEAN countries, China, Japan, and South Korea, attending the meeting.

<sup>80</sup> Department of Commerce, Thailand's Ministry of Commerce, Trade between Thai-ASEAN (Bangkok, Thailand: Department of Commerce, 1995), p. 35.

<sup>81</sup> Ibid.

<sup>82</sup> Ibid.



products, such as rice, sugar, and rubber. Important goods Thailand imports from ASEAN are crude oil, industrial machines, gasoline, wood and paper tissue, electronic goods, and chemical products. Since 1995, the highest total value of Thailand's trade has been between Thailand and ASEAN instead of between Thailand and the United States in the preceding period.<sup>83</sup>

Additionally, the expansion of ASEAN membership increases Thailand's trade with and expands its markets in ASEAN. Right now, Thailand is the biggest foreign investor in Laos and an important investor in Burma and Cambodia. The value of Thailand's trade with these countries has continuously increased since the end of the Cold War. Thailand has received many benefits from AFTA. A more detailed analysis of Thailand's benefits from AFTA will be presented in the next chapter.

### **3. Security Benefits**

During the Vietnamese occupation of Cambodia between 1978-1989, Thailand joined other ASEAN members to oppose the occupation and to press for the withdrawal of Vietnamese forces from Cambodia. Although ASEAN did not succeed in obtaining the withdrawal of Vietnamese forces, Vietnam realized that it was not easy to further expand its aggression to other countries with strong opposition of ASEAN. Thailand, therefore, could partially ensure its national security from communist-Vietnamese threats. Except for its direct benefit of national security, Thailand also received an indirect benefit from this commission. Relations between Thailand and China improved steadily in the 1980s, during the period of

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<sup>83</sup> Thailand's Ministry of Foreign Affairs, Basic Information of ASEAN and the 5th ASEAN Summit (Bangkok: Ministry of Foreign Affairs, 1995), p. 25.



Vietnam-Cambodia conflict. China supported Thailand's and ASEAN's opposition to Vietnamese occupation of Cambodia. Further, China sought to reassure Thailand of its withdrawal of support for the Communist Party of Thailand and offered military assistance to Thailand in the event the latter was attacked by Vietnam.<sup>84</sup> Good Thai-Chinese relations were evident in a military assistance agreement signed in Beijing in May 1987.

Thailand's relations with the United States were also very close, especially after the 1978 Vietnamese occupation of Cambodia. The United States reasserted its commitment to Thailand's security under the Rusk-Thanat agreement of 1962 and the Manila Pact of 1954. In addition to backing the ASEAN position on Cambodia, Washington steadily increased its security assistance to Thailand and also took part in a series of annual bilateral military exercises. In October 1985, under the military assistance agreement, the United States began to set up a war reserve weapons stockpile in Thailand. This made Thailand the first country to have a weapons stockpile without U.S. military bases.<sup>85</sup> The stockpile, subject to approval by the U.S. Congress, was to be used only in a "nation-threatening emergency" or to repulse possible armed invasion by Soviet-supported Vietnamese and other forces from Cambodia.<sup>86</sup> At present, Thailand has good relations with both China and the United States.

Thailand has received security benefits from ARF. For example, at the second ARF meeting in Brunei in August 1995, there were many discussions concerning security policies in the region. In order to create trust among the member countries, especially ASEAN countries, ASEAN suggested a proposal to exchange annual statements on defense policy.

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<sup>84</sup> Shinn, in Thailand: A Country Study, ed. Lepower, pp. 219-220.

<sup>85</sup> Ibid., p. 220.

<sup>86</sup> Ibid., p. 221.

This proposal was adopted by the larger body and represented a step toward transparency.<sup>87</sup>

There were also discussions about the studies concerning arms control, nuclear nonproliferation, further CBM prospects, the creation of a regional peacekeeping training center, exchange of military information, antipiracy issues, and preventive diplomacy.<sup>88</sup>

At the fifth ASEAN Summit Meeting in Bangkok, December 1995, ASEAN members agreed to sign the Southeast Asian Nuclear Weapons Free Zone (SEANWFZ) Treaty which was under the same concepts as ZOPFAN established in 1971. The Treaty prohibits the possession of nuclear weapons in Southeast Asia. This will help to make ASEAN a zone of non-nuclear weapons.

## **E. PROBLEMS OF THAILAND IN ASEAN**

Although Thailand has played important roles and received a lot of benefits from ASEAN, it also has some problems in ASEAN.

### **1. Longevity of Governments**

Since 1988, there have been eight governments in Thailand.<sup>89</sup> Most of Thailand's heads of governments and cabinet members (from 1988 until now) have had short terms

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<sup>87</sup> Simon, in Southeast Asia Security in the New Millennium, ed. Ellings et.al., p. 29.

<sup>88</sup> Ibid., p. 28.

<sup>89</sup> 1) Chatichai's government (July 1988-February 1991) 2) Anand's interim government (February 1991-March 1992) 3) Suchinda's government (March-May 1992) 4) Anand's interim government (May-September 1992) 5) Chuan's government (First term, September 1992-July 1995) 6) Banharn's government (July 1995-November 1996) 7) Chaovalit's government (November 1996-November 1997) 8) Chuan's government (Second term, November 1997-present)

in offices compared to those of their counterparts in other ASEAN member countries. Table 1 compares the time spent in office by ASEAN's heads of government as of 1995 and by its foreign ministers since 1984.

Country	Tenure of Head of Government as of Oct 1995 Time (in years)	Median Tenure of Foreign Ministers Jan 1984-Oct 1995 Time (in months)	Number of Foreign Ministers Jan 1984-Jan 1995
Brunei	28	141	1
Indonesia	27	71	2
Malaysia	14	46	3
Singapore	5	56	3
Philippines	3	12	7
Thailand	0.25	14	6

**Table 1: A Leader's Years--Time in Office, ASEAN Government Heads and Foreign Ministers<sup>90</sup>**

Frequent changes of governments lead to discontinuous foreign policies toward ASEAN. When heads of government and staff, such as foreign and commerce ministers, change, successors sometimes do not follow their predecessors' policies. Therefore, previous plans and projects concerning ASEAN are sometimes delayed or cancelled. Moreover, frequent changes of governments cause Thailand's lack of experienced and skillful representatives who can effectively deal with their counterparts from other ASEAN countries.

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<sup>90</sup> Donald K. Emmerson, "Indonesia, Malaysia, Singapore: A Regional Security Core?" in Southeast Asia Security in the New Millennium, ed. Ellings et.al., p. 50.

For example, many ministers in the cabinet, who are elected members of the House of Representatives, lack experience and knowledge of ASEAN because they serve only a short term in office. Therefore, when they negotiate with their counterparts from other countries who have more skill, Thailand may be at a distinct disadvantage because of these inexperienced representatives.

## **2. Conflicts with other member countries**

Although Thailand has been an effective diplomat and seldom has had serious conflicts with other countries, it has had some minor conflicts with other ASEAN countries.

Thailand shares a common southern border with Malaysia. Both of them have used different evidence to claim their boundary along the common border for more than ten years. This problem is still unsolved despite a series of talks between the two governments. Except for the border conflict, a dispute over sea territory is another problem between Thailand and Malaysia. A lot of Thai fishermen were caught by Malaysian authorities in the ambiguous sea zones. This problem still exists although there have been many meetings between the two governments.

After the withdrawal of Vietnamese troops from Cambodia in 1989, the relations between Thailand and Vietnam have been improved continuously. However, new problems between the two countries are fishing and sea territory. Many Thai and Vietnamese fishermen were arrested by authorities of the opposite country. Both countries have tried to solve the problems by peaceful negotiations, but the conflicts persist. Also there are still a large number of Vietnamese refugees in Thailand. Thai governments want to send back these refugees, while their Vietnamese counterparts do not show any response to this issue. Burmese



minority groups along Thailand-Burma border have caused political conflicts between the two countries. When they were defeated by Burmese military government, they always escaped and crossed the border to Thailand. Burmese governments were dissatisfied and accused their Thai counterparts of supporting these minority groups. There are also a lot of Burmese students demanding human rights from the Burmese government in Thailand. Many talks between the two governments have been held to solve these problems. Even though the serious border conflict between Thailand and Laos which arose in 1989 already ended, there are smuggling problems along the border. These problems sometimes affect relations between the two countries.

Thailand's conflicts with its neighbors partially impede the success of Thailand in ASEAN. For example, when Thailand proposes some ideas or projects in the ASEAN meetings, these countries sometimes do not support the proposal because of personal conflicts. Therefore, Thailand should pay more attention in solving the problems with its neighbors.

### **3. Economic Competition with other ASEAN members**

At present, ASEAN consists of nine members. Except for Brunei and Singapore, every member is an agricultural country. Most exports of ASEAN countries, therefore, are agricultural products, and there is intense competition between these countries to export their goods. Thailand is a leading agricultural producer. Although Thailand exports some industrial products, its main exports are still agricultural products, such as rice, corn, sugar, rubber, and tobacco. Vietnam is a significant rice and corn exporter. Malaysia and Indonesia are important exporters of rubber and tobacco. The Philippines' main exports are sugar and



corn. Therefore, ASEAN nations compete economically with each other more than they complement each other.<sup>91</sup>

Under AFTA's Common Effective Preferential Tariff (CEPT) Scheme, AFTA aims to achieve a zero tariff for all kinds of intra-ASEAN goods by the year 2003. To achieve this goal, Thailand is trying to encourage other members to reduce tariffs of their goods. However, the major problem of AFTA is to reduce the tariffs on agricultural products. For example, Thailand wants to reduce the tariffs of its main exports, rice and sugar, to zero percent. But Indonesia and Philippines disagree because they think Thai rice and sugar have advantage over theirs. In other words, rice and sugar are sensitive goods for them, and they need more time to consider. At the ASEAN Economic Ministers Meeting in Bangkok in 1996, Thailand tried to encourage other members to reduce tariffs on as many agricultural products as possible, but other countries wanted to maintain tariffs on many types of goods for their bargaining power.<sup>92</sup> Each member tried to put the names of goods it cannot compete with others on the sensitive lists, so it did not have to reduce the tariffs of those goods.

## F. CONCLUSION

Thailand cooperated with other four Southeast Asian countries to establish ASEAN in 1967 because of main security concerns of communist threat in Indochina in the 1960s. In addition to security cooperation, Thailand also anticipated other types of cooperation from ASEAN as well. Since the beginning, Thailand has played many important roles in ASEAN, especially in economic as well as political and security areas. For example, it acted as a

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<sup>91</sup> Neher, in Southeast Asia Security in the New Millennium, ed. Ellings et.al., p. 168.

leading member of ASEAN to oppose the Vietnamese occupation of Cambodia during 1978-1989. It succeeded in initiating AFTA to encourage economic cooperation between ASEAN countries in 1992. In 1993, Thailand joined other ASEAN members and other countries outside Southeast Asia to establish ARF and held the first ARF meeting in 1994.

As a founding member, Thailand has obtained many benefits from ASEAN. Its trade with ASEAN has continuously increased since the 1980s. At present, the highest value of Thailand's total trade is the trade between Thailand-ASEAN. AFTA may be used by Thailand as an efficient bargaining device to deal with other trade partners. ARF may help to create trust and security cooperation between Thailand and other ASEAN members. Additionally, Thailand receives trust and reliability from other members to play diplomatic roles in the region.

Although Thailand has been a significant member and received many benefits from ASEAN, it has had some problems in ASEAN. Frequent changes of Thai governments and foreign policies diminish its roles and bargaining power in ASEAN. Conflicts with other members partially impede the success of Thailand. Because of same climate and geographical factors in the region, most ASEAN members are agricultural countries. Therefore, there is intense competition in trade between Thailand and its counterparts. The competition also leads to difficulties in developing AFTA.

After 30 years in ASEAN, Thailand is still a significant member of ASEAN and ASEAN is still an important organization for Thailand. In the future, its roles in ASEAN will increase. Thailand still focuses on economic as well as political and security areas. However,

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<sup>92</sup> Siam Post, February 24, 1996, p. 19.

it is the Thai government's responsibilities to create proper policies to deal with its ASEAN counterparts.

## IV. CASE STUDY OF AFTA

### A. INTRODUCTION

Since its establishment in 1967, ASEAN has fostered cooperation among member countries in many areas, such as the economic, political and security, social, culture, technical, scientific, and administration spheres. Although security concerns about communist threats in the region caused cooperation among the five members in the first place, ASEAN, as analyzed in Chapter 2, still avoids close security cooperation because of distrust among the members. Of all fields of cooperation, economic cooperation seems to be the most significant achievement of ASEAN. To encourage regional economic cooperation, the ASEAN Free Trade Area (AFTA), initiated by Thailand, was established in 1992. At the beginning, AFTA aimed to reduce intra-ASEAN tariffs to 0-5 percent within 15 years starting 1 January 1993. In 1995, ASEAN members agreed to accelerate the achievement of AFTA from 15 years to 10 years. As a result, a new goal of AFTA is to reduce intra-ASEAN tariffs to 0-5 percent by the year 2003. At present, even though AFTA is still in the early stages of development, it has created extensive regional economic cooperation in Southeast Asia. It is considered as the first close and successful cooperation among ASEAN members.

However, while the early results of AFTA cooperation look favorable, there remain some questions about AFTA. Why did ASEAN move toward close economic cooperation in the first place? How can economic cooperation be feasible in such a diverse region? Why is the acceleration necessary for AFTA? Therefore, this chapter will study the background, theory of integration, objectives, structure, and principles and procedures of AFTA. In

addition, it will further study the benefits ASEAN countries gain from AFTA and the acceleration of AFTA.

## **B. BACKGROUND OF AFTA**

Although ASEAN focused on regional economic cooperation at the beginning, there was not much progress in economic cooperation in ASEAN during the first nine years due to political conflicts among member countries. ASEAN's economic cooperation started after the first ASEAN Summit in Bali in 1976. According to an agreement of members at the meeting, there were to be four significant projects for economic cooperation in ASEAN: the ASEAN Industrial Project (AIP); the ASEAN Industrial Complementation Scheme (AIC); the ASEAN Industrial Joint Ventures Scheme (AIJV); and the ASEAN Preferential Trading Arrangements (PTA).

However, progress of these projects has been slow. The AIPs have not progressed as far as originally expected. For example, only the Indonesian and Malaysian (fertilizer) projects are in operation, and they are not profitable (admittedly in part due to unforeseen external circumstances).<sup>93</sup> The Philippines project (first superphosphate, finally copper fabrication) has never got off the ground, nor has the Thai soda ash plant.<sup>94</sup> The achievements of the AIC, designated to encourage private sector participation, have been very modest. For example, under the programs of the AIC, the development of an automotive industry in ASEAN encountered difficulty in product identification and country allocation

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<sup>93</sup> Hal Hill, "Challenges in ASEAN Economic Co-operation: An Outsider's Perspective," in *The ASEAN Reader*, eds. Sandhu et.al., p. 198.

<sup>94</sup> *Ibid.*



since governments intervened in manufacturing location decisions.<sup>95</sup> Therefore, industrial cooperation under these programs has not been generally successful in accomplishing the program's goals.

It is perhaps in the area of trade liberalization, or in influencing trade direction, that the greatest achievements and potential of economic integration in ASEAN can be seen.<sup>96</sup>

The major mechanism in ASEAN for promoting economic integration is the PTA. Under the PTA, the ASEAN countries agreed to reduce their tariff rates through preferences beginning on January 1, 1978. However, there was general criticism that the inclusion of many types of goods on the "preferential goods lists" did not serve the interests of every member country. This problem obstructed the expansion of intra-ASEAN trade. There were also trade barriers within each ASEAN member country which impeded the sale of preferential goods from other member countries. Additionally, progress of negotiations for exchanging preferential trade among ASEAN countries has been sluggish and inefficient since the beginning of the PTA because most member countries did not open their markets to their counterparts. These problems, therefore, discouraged regional trade and investments.

ASEAN Economic Ministers (AEM) tried to solve the problems by studying means and measures for expanding intra-ASEAN trade. At the Third ASEAN Summit in Manila in December 1987, their proposed plans to expand and improve trade preferences were accepted by ASEAN's members. The plans presented more reduction of tariff and numbers

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<sup>95</sup> Florian A. Albuero, "The ASEAN Summit and ASEAN Economic Co-operation," in The ASEAN Reader, eds. Sandhu et.al., p. 204.

<sup>96</sup> Ibid.

of goods in the exclusion lists. The operational plan, beginning in 1988, aimed to achieve its goals within 5 to 7 years.

Since the end of the Cold War, the global political situation has changed dramatically. After World War II, there were two main factions of the global political system. The United States and the Soviet Union were the leaders of each faction. The national security policies of each nation focused on the external military threat, especially the communist or anti-communist threat. In other words, external military threat was the most important determinant of national security policy planning. Since the end of the Cold War, the global situation has changed and there are no more clear-cut global political factions. The external military threat is no longer the only significant factor for consideration in national security policies. In many cases, economic issues became more important factors than the external military threat in developing national security policies. Global political factions have been transformed into global economic factions. As a result, at present on the international political stage, the competition is between economic powerhouses instead of military powerhouses in the past.<sup>97</sup>

In addition to the global political change after the Cold War, the global economic situation also has changed. There was more coordinated economic competition between different economic regions. Many economic blocs such as the North American Free Trade Area (NAFTA), the European Economic Area (EEA), and the Australia-New Zealand Closer Economic Cooperation Trading Arrangement (ANZCERTA or CER) were established to

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<sup>97</sup> Upatham Intamara, "Policy of AFTA: Impact on National Security" (Thesis, Sri Patum University, 1997), p. 43. (Thai version)

encourage regional economic cooperation. This global economic change also shaped the general economic situation of Southeast Asia. In the past, the economic system of Southeast Asia was based on bilateral cooperation, and there were a lot of trade barriers toward other trade partners, both from inside and outside the region.<sup>98</sup> In recent years as competition intensified from other economic blocs, Southeast Asian countries began to recognize the need for regional economic cooperation.

Both global political and economic changes after the Cold War encouraged ASEAN to move toward closer regional economic cooperation. At the Twenty-first ASEAN Economic Ministers (AEM) Meeting in Brunei in November 1989, member countries agreed that ASEAN should develop itself and have more economic cooperation in the region. At the Twenty-third AEM Meeting in Kuala Lumpur in October 1991, Thai Prime Minister Anand Panyarachoon, realizing the necessity and importance of more rigorous regional economic cooperation, proposed the concept of the ASEAN Free Trade Area (AFTA). The Common Effective Preferential Tariff (CEPT) Scheme was also introduced by Anand as the main mechanism of free trade.<sup>99</sup> Other members supported the proposal of AFTA. For the transition period toward realization of AFTA, there was a discussion on the requirement for a deadline to indicate the political commitment to the objective of a free trade area. The ASEAN-Import Substituting Industrialisation (ISI) Committee proposed that the deadline should be in 2007, while achievement of AFTA in ten years was suggested by Thailand.

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<sup>98</sup> *Ibid.*, p. 52.

<sup>99</sup> Department of Economy, Thailand's Ministry of Commerce, ASEAN Free Trade Area: AFTA, The Fourth ASEAN Summit (Bangkok, Thailand: Department of Economy, 1997), p. 7.

However, the AEM agreement supported the fifteen-year deadline (or 2007) as proposed by ASEAN ISI. This represents a compromise between countries which wanted a shorter deadline, Singapore and Thailand, and those which wanted a longer period, Indonesia and the Philippines.

Finally, at the Singapore Summit Meeting in January 1992, the member countries formally approved the concepts of AFTA and agreed to establish AFTA using the CEPT Scheme as the main mechanism within a time frame of 15 years beginning 1 January 1993 with the ultimate effective tariffs ranging from 0-5 percent.<sup>100</sup>

### **C. REGIONAL ECONOMIC INTEGRATION (REI) THEORY AND AFTA**

The theory of REI is a branch of international trade theory. REI theory focuses on a country's economic gains and losses as barriers to trade and factor mobility are removed. There are five forms of economic integration, each of which differs from the other in terms of the degree of integration involved.<sup>101</sup>

#### **1. Free Trade Area (FTA)**

An FTA describes a situation in which all barriers to trade in goods and services between the participating countries are eliminated. Consumers will have access to the lowest cost source of supply across the area as a whole and will benefit from the economic welfare-enhancing gains from trade. There is no requirement for members of an FTA to adapt their

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<sup>100</sup> Ibid. , p. 24.

<sup>101</sup> Andrew Scott, "Theories of International and Regional Economic Integration in the Global Economy," in The European Union Handbook, ed. Philippe Barbour (Illinois: Fitzroy Dearborn Publishers, 1996), pp. 109-110.



trade policy towards non-member countries; therefore, intra-area customs posts must be retained to avoid trade deflection. Trade deflection occurs when a non-member of the FTA can bypass import restrictions which are imposed by one FTA country by exporting to that country via another FTA member which has a less restrictive import regime. Border posts provide an opportunity for ensuring that goods which enter one FTA country from another originate in the partner country.

## **2. Customs Union (CU)**

A CU is equivalent to an FTA but in addition provides for the introduction of a Common Commercial Policy (CCP) with respect to non-member countries. Therefore, the problem of trade deflection does not arise in a CU. Without a potential for trade deflection, the economic basis for border posts fades as the CCP is established.

## **3. Common Market (CM)**

A CM represents a CU along with provision being made for the free movement of labor and capital. With the creation of a CM, therefore, the four freedoms are established - i.e. the free movement of goods, services, capital, and labor. A CM is sometimes described as an area in which there is integration between the national product and factor markets of the member countries.

## **4. Economic Union**

An economic union goes beyond the CM in that it involves a degree of harmonization in national economic policies between member states to the extent required for the proper functioning of the CM. The distinction which is drawn between a CM and an economic union



is a fine one. It revolves around the consequences for national economic policy which are associated with the economic union which are not apparent when constructing a CM.

## **5. Total Economic Integration**

In this final form of integration, national economies effectively merge into one another to be replaced by a single, unified economy. All matters pertaining to economic policy - including fiscal and monetary policies - are taken by a supranational authority, although a significant degree of policy autonomy can be retained at lower levels within the hierarchy of governance. The area is likely to be a CU in which a single currency circulates and where all aspects of monetary policy are conducted by a common Central Bank.

Groups of countries can adopt any one of these five distinctive arrangements. For example, the Treaty of Rome in March 1957 initially defined the European Economic Community (EEC) as aspiring to be a common market, although with the ratification of the Treaty on European Union (the Maastricht Treaty) the EU now aspires to be a monetary union, thus moving towards total economic integration.<sup>102</sup> In contrast, both the European Free Trade Area (EFTA) and the North American Free Trade Area (NAFTA) are examples of FTAs.<sup>103</sup> Like EFTA and NAFTA, AFTA is also FTA.

Scott's economic integration theory suggests the possibility of evolution from a simple form of economic integration, FTA, to more complex forms of economic integration, such as CU, CM, Economic Union, and Total Economic Integration. However, some economic groups may not develop their economic integration to more advanced forms. Indeed, the complex forms are more suitable for Western economic systems, which emphasize

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<sup>102</sup> *Ibid.*, p. 110.

close regional economic cooperation at a bottom level, FTA, and gradually develops to a top level, Total Economic Integration, than economic systems of Asia, which has less regional economic cooperation.<sup>104</sup>

#### **D. AIMS AND OBJECTIVES OF AFTA**

At the Singapore Summit in 1992, ASEAN member states have set up specific objectives and aim of AFTA. The four objectives of AFTA are as follows:<sup>105</sup>

1. To create the lowest tariff free trade area without non-tariff limitations within ASEAN.
2. To attract foreign investors to ASEAN.
3. To encourage competitive status of ASEAN.
4. To respond to more freedom global economic situation resulted from Uruguay Round.

AFTA aims to reduce intra-ASEAN tariffs to zero to five percent within 15 years beginning 1 January 1993 and ending 1 January 2008.<sup>106</sup> The CEPT Scheme covers all kinds of intra-ASEAN products except unprocessed agricultural products.

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<sup>103</sup> Ibid.

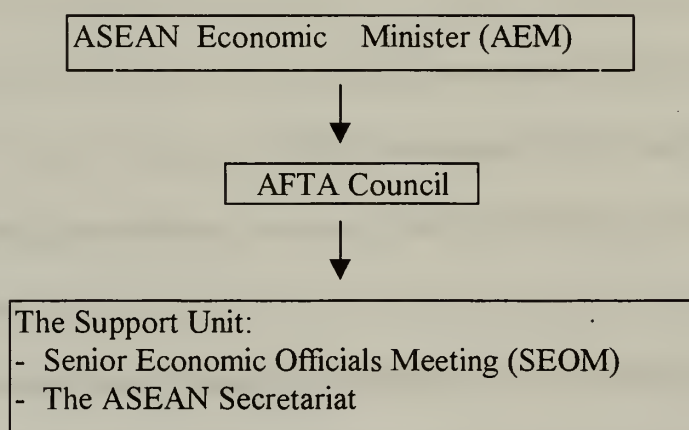
<sup>104</sup> Rattana Silpsophonkul, "Thailand-ASEAN Trade Relations under the Agreement on ASEAN Preferential Trading Arrangement" (Thesis, Chulalongkorn University, 1991), p. 13. (Thai version)

<sup>105</sup> Department of Economy, Thailand's Ministry of Commerce, ASEAN Free Trade Area: AFTA, Conclusion of the CEPT Agreement (Bangkok, Thailand: Department of Economy, 1997), p. 2. (Thai version)

<sup>106</sup> Ibid., p. 3.

## **E. STRUCTURE OF AFTA**

To achieve AFTA goals, the ASEAN Economic Ministers agreed to set up AFTA Council, consisting of one minister representative from each country as well as the ASEAN Secretary, to supervise and follow the progress of AFTA. There was also the establishment of the Support Unit, comprising Senior Economic Officials (SEO) and the ASEAN Secretariat. The AFTA Council directly reports the results of operation to ASEAN Economic Minister. Figure 4 shows the mechanism of AFTA operation.



**Figure 4: Mechanism of AFTA<sup>107</sup>**

## **F. PRINCIPLES AND PROCEDURES OF AFTA: TARIFF REDUCTION AND ELIMINATION OF OTHER NON-TARIFF BARRIERS (NTBs)**

To achieve AFTA's goals, member countries agreed to use the CEPT Scheme to reduce tariffs of all kinds of intra-ASEAN products to 0-5 percent within 15 years beginning

1 January 1993. However, the 1992 CEPT Agreement had excluded unprocessed agricultural products from the CEPT Scheme.<sup>108</sup> The CEPT Agreement stated that ASEAN countries exchange tariff benefits with each other. In order to receive tariff reduction benefits on any goods from other countries, member countries, at the same time, have to reduce their own tariffs on the same kinds of goods. For the schedule of tariff reduction of AFTA, member states agreed to classify the types of products into three different groups, normal track group, fast track group, and temporary exclusion list (TEL) group, which have different time frame of tariff reduction.

First, normal track group means the products that AFTA plans to reduce tariffs to 0-5 percent within a regular schedule, a 15-year time frame. There are two types of products in this group which are the products that have existing tariff rates higher than 20 percent as well as 20 percent or below. For the first type, the reduction from existing tariff rates higher than 20 percent to 20 percent shall be completed within a time frame of 5 to 8 years, from 1 January 1993. And the reduction from tariff rates 20 to 0-5 percent shall be completed within a time frame of the last 7 years, to 15 percent by the year 2003, to 10 percent by the year 2005, and to 0-5 percent by the year 2008. For the second type, the existing tariff rates from 20 percent or below shall be reduced to 0-5 percent within a time frame of 7-10 years, from 1 January 1993.

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<sup>107</sup> Intamara, p. 40.

<sup>108</sup> Suthad Setboonsarng, ed., AFTA Reader Volume IV: The Fifth ASEAN Summit (Jakarta, Indonesia: The ASEAN Secretariat, 1996), p. 27.



Second, AFTA members have identified 15 groups<sup>109</sup> of products to be included in the fast track group. The time frame of tariff reduction of the fast track group is comparatively shorter than that of normal track group. The reduction from existing tariff rates higher than 20 percent to 0-5 percent shall be completed within 10 years, from 1 January 1993. The existing tariff rates from 20 percent or lower shall be reduced to 0-5 percent within 7 years, from 1 January 1993. Finally, AFTA members can exclude some types of products that are not ready to reduce tariffs, and put them in the TEL. The examples of products in the TEL are some sensitive agricultural products, such as rice, sugar, pineapples, tobacco, timber, etc. The tariffs of the products in the TEL cannot be reduced immediately but shall start by the year 2001. In 1992 when ASEAN launched the CEPT Agreement for the ASEAN Free Trade Area, the time frame for achieving the free trade arrangements was set at 15 years; i.e., from 1 January 1993 to 1 January 2008. After the CEPT Scheme had been in place for one and a half years, the global economic situation changed. The negotiation of Uruguay Round was successful, and there was the establishment of the World Trade Organization (WTO). Additionally, there was the proposal to set up the APEC Free Plan by 2020. As a result, leaders of ASEAN states agreed that the 15-year deadline for tariff reduction to 0-5 percent, according to the 1992 CEPT Scheme, was too faraway. Therefore, at the Twenty-sixth ASEAN Ministerial Meeting in September 1994, the ASEAN Economic Ministers (AEM) agreed to create some measures to accelerate the achievement of AFTA.

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<sup>109</sup> These 15 groups are vegetable oils, cement, chemicals, pharmaceuticals, fertiliser, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewellery, copper cathodes, electronics, and wooden and rattan furniture.



First, the time frame for tariff reduction to 0-5 percent was reduced from 15 to 10 years. This means that AFTA will be realized by the year 2003 instead of the year 2008 according to the previous plan. As a result, the new time frame for tariff reduction was different from the previous one in the 1992 CEPT Scheme. For the normal track group, the reduction from existing tariff rates higher than 20 percent to 20 percent shall be completed within 5 years, and the reduction from tariff rates of 20 percent to 0-5 percent shall be enacted within the next 5 years. The reduction from existing tariff rates 20 percent or lower to 0-5 percent shall be done within 7 years. For the fast track group, the reduction from existing tariff rates higher than 20 percent to 0-5 percent shall be completed within 7 years. The reduction from existing tariff rates 20 percent or lower to 0-5 percent shall be completed within 5 years.

Second, the coverage of the CEPT Scheme was expanded to phase in products in the TEL into the Inclusion List within 5 years beginning from 1 January 1996. Annually, 20 percent of the TEL products will be added to the Inclusion List. Therefore, there will be no more products on the TEL by the end of the year 2000. Third, unprocessed agricultural products (UAPs) were included into the CEPT Scheme to make AFTA cover all products, whether manufactured or agricultural. Therefore, the 1994 CEPT Scheme for tariff reduction to 0-5 percent would cover all kinds of intra-ASEAN products. Fourth, there was the establishment of the AFTA Unit in the ASEAN Secretariat and the National AFTA Units in member governments to implement and monitor the CEPT Scheme for AFTA more efficiently as well as provide a quick-response mechanism to possible problems. Finally, there was the publication of the tariff reduction and the elimination of other non-tariff barriers in AFTA to

attract foreign investors to ASEAN and encourage private sectors to have more roles in AFTA.

As tariffs on intra-ASEAN trade are reduced under the CEPT Scheme for AFTA, attention is shifting towards the elimination of non-tariff barriers (NTBs). The CEPT Agreement itself calls for elimination of NTBs within a period of 5 years after the enjoyment of concessions applicable to the CEPT products. The Fourth AFTA Council Meeting requested member countries to submit information on their counterparts' measures that may constitute barriers to trade. Based on this information, customs surcharges and technical measures were initially identified as major NTBs affecting intra-ASEAN trade.<sup>110</sup> A customs surcharge, which was also called surtax or additional duty, is an ad hoc trade policy instrument to raise fiscal revenue or to protect domestic industry. Technical measures are those measures referring to product characteristics such as quality, safety or dimensions, including the applicable administrative provisions, terminology, symbols, testing and test methods, packaging, marking and labelling requirements as they apply to a product.<sup>111</sup>

Although the CEPT Agreement calls for elimination of NTBs within 5 years after enjoyment of concessions, the Eighth AFTA Council in 1995 decided that member countries should aim to eliminate NTBs no later than the year 2003. Consequently, ASEAN has agreed to phase out all customs surcharges affecting identified CEPT products by the end of 1996.

In the case of technical standards, ASEAN agreed to give priority to the sectors which figure widely in intra-regional trade, such as electrical appliances and machinery, base metals, plastics, and chemicals. A short-list of these products have been targeted for coincidence of

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<sup>110</sup> Setboonsarng, p. 31.

standards by the end of 1996. Similarly, the working groups under the Senior Officials Meeting of the ASEAN Ministers of Agriculture and Forestry (SOM-AMAF) have succeeded in identifying priority crop and livestock products harmonization of Sanitary and Phytosanitary (SPS) measures by 1997.<sup>112</sup> ASEAN has also finalized ASEAN standards for 28 types of animal vaccines.

#### **G. THAILAND'S MEASURES AND OPERATIONS IN AFTA**

After the establishment of AFTA in 1992, the CEPT Scheme was effective from 1 January 1993. To encourage achievement of AFTA, at the beginning, Thailand showed strong commitment to reducing its tariff by announcing the unilateral tariff reduction scheme to reduce tariffs on all imported products from other ASEAN countries to less than 30 percent. This scheme covered the products in normal track, fast track, and most imported industrial products from other ASEAN countries. Beyond the unilateral scheme, Thailand also has enacted some measures to facilitate free trade.

First, Thailand established its tariff reduction scheme. At the beginning of AFTA, Thailand established tariff reduction scheme to reduce its tariff to 0-5 percent within 15 years, by the year 2008. After the acceleration of AFTA in September 1994, the time frame for tariff reduction was cut down to 10 years, making 2003 the new deadline. Thailand's tariff reduction scheme is divided into many steps. Each step lasts 1-2 years and reduces 5 percent of tariff rates. The tariff reduction will be accelerated after the year 2000. Therefore, tariff

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<sup>111</sup> Ibid.

<sup>112</sup> Ibid., p. 32.

rates will be annually reduced 5 percent from the existing tariff rates to 5 percent in the year 2003.

Second, Thailand arranged its products in the TEL. Thailand has had the least numbers of products on the TEL, compared to other ASEAN member countries, since it wants to encourage the achievement of AFTA. In 1995, Thailand had 183 products, or 2 percent of total products, in the TEL.<sup>113</sup> Most products in this list are automobile and parts as well as electronic appliances. There were about 36-37 annual products in this list gradually transferred to tariff reduction scheme, starting in 1996. The tariff rates of these products will be reduced from 20 percent starting in 1996 to 5 percent by the year 2003. Third, Thailand encouraged the inclusion of UAPs to the CEPT Scheme. When AFTA was established in 1992, UAPs were excluded from the CEPT Scheme. Subsequently, Thailand has played a leading role in convincing other ASEAN countries to include UAPs to the CEPT Scheme. There were a lot of obstacles to including UAPs because agricultural products are very sensitive products. Additionally, agricultural products are major exports of many ASEAN countries. However, with a great deal of effort of ASEAN leaders, UAPs were included in the CEPT Scheme at the Twenty-sixth AEM Meeting in September 1994. At present, Thailand has 527 types of UAPs, and 520 types will be added to its tariff reduction scheme by the end of 1997.<sup>114</sup> Finally, Thailand established the National AFTA Unit under Ministry of Finance in 1993. The National AFTA Unit represents the Thai government at various AFTA sessions. It also serves as an information center to provide information about

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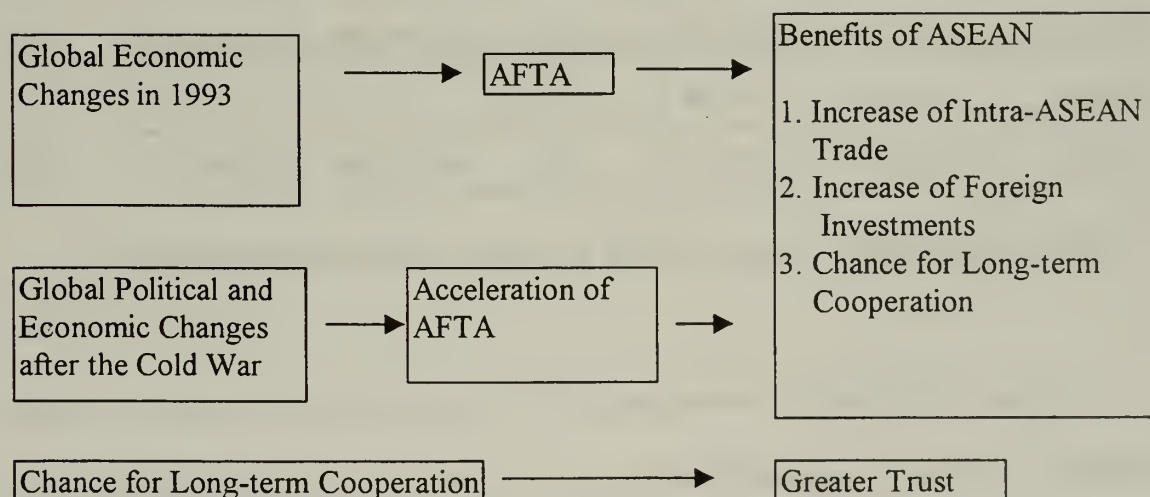
<sup>113</sup> Department of Economy, Thailand's Ministry of Commerce, Roles and Lessons Learned of Thailand in AFTA (Bangkok, Thailand: Department of Economy, 1996), p. 11.



tax, trades, and investments in ASEAN for the private sector. It cooperates with many government and private organizations at both the domestic and international levels.

## **H. ANALYSIS OF BENEFITS ASEAN COUNTRIES GAIN FROM AFTA AND THE ACCELERATION OF AFTA**

This section analyzes the benefits to ASEAN countries of expanded cooperation. Global political and economic changes after the Cold War led to the establishment of AFTA in 1992. It was once again global economic change in 1993 that pushed ASEAN to accelerate AFTA in 1994. Both AFTA and its acceleration provide three benefits for ASEAN countries: the increase of intra-ASEAN trades, the increase of foreign investments, and the first chance for ASEAN states to cooperate in a long-term institutionalized manner which may lead to greater trust among member countries in other areas of cooperation. These developments are portrayed in Figure 5.



**Figure 5: Hypothesis**

<sup>114</sup> Ibid.



First, AFTA and the acceleration of AFTA helped to increase intra-ASEAN trade. Intra-ASEAN trade continues to show significant expansion as a result of the implementation of the CEPT Scheme for AFTA. Between 1993-1994, intra-ASEAN exports of CEPT products, i.e. products covered by the CEPT Scheme, grew by 39.22 percent from \$ 34.06 billion to \$ 47.4 billion.<sup>115</sup> Between 1994-1995, intra-ASEAN exports grew at about half the rate as in the previous year. Intra-ASEAN exports of CEPT products grew by 18.68 percent to \$ 56.28 billion.<sup>116</sup> Table 2 shows intra-ASEAN exports of CEPT products between 1993-1995.

Country	1993	1994	%Change	1994	1995	%Change
Brunei	434.86	464.70	6.86	464.70	526.30	13.26
Indonesia	4,354.77	5,157.25	18.43	5,157.25	5,600.86	8.60
Malaysia	11,227.22	13,036.18	16.11	13,036.18	15,209.77	16.67
Philippines	616.78	1,184.87	92.11	1,184.87	2,091.47	76.51
Singapore	14,631.58	23,836.71	62.91	23,836.71	27,633.38	15.93
Thailand	2,798.74	3,743.58	33.76	3,743.58	5,217.98	39.38
<b>ASEAN</b>	<b>34,063.95</b>	<b>47,423.29</b>	<b>39.22</b>	<b>47,423.39</b>	<b>56,279.76</b>	<b>18.68</b>

**Table 2: Intra-ASEAN Exports (CEPT Products), 1993-1995 (US\$ Millions)<sup>117</sup>**

Second, AFTA and the acceleration of AFTA may lead to the increase in foreign investment in ASEAN. At present, ASEAN covers the entire area of Southeast Asia except Cambodia, 4.49 million square kilometers. This means that ASEAN has abundant valuable

<sup>115</sup> Setboonsarng, p. 55.

<sup>116</sup> *Ibid.*, p. 56.

natural resources, especially in Indochina. In terms of population, ASEAN is comprised of 487 million people, more than the EU (360 million) and NAFTA (390 million). This makes ASEAN a large single market with a large number of consumers. In the meantime, there is an extensive supply of labor available in ASEAN. Therefore, given the size of the land, the abundance of natural resources, the market potential, the supply of inexpensive labor, the CEPT Scheme of the tariff reduction, and the elimination of non-tariff barriers to facilitate investments, foreign investors and multinational corporations are attracted to ASEAN investment opportunities. To further capitalize on these factors, at the Fifth ASEAN Summit in Bangkok, held 14-15 December 1995, member countries discussed the setting up of an ASEAN Investment Area (AIA) to promote intra-ASEAN investments in the region. The Heads of Investment Agencies and the ASEAN Economic Minister's Meeting (AEM) conducted discussions on the scope and approach towards investment liberalisation. A framework Agreement on AIA is being drafted for the 30th AEM scheduled in September 1998. Table 3 shows the increase of foreign investments in ASEAN between 1992 and 1995.

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<sup>117</sup> Ibid., p. 55.

Year	Investment (US\$ billion)
1992	11.7
1993	14.8
1994	15.5
1995	19.4

**Table 3: Foreign Investment Inflows in ASEAN during 1992-1995<sup>118</sup>**

Finally, although there have been some projects for economic cooperation in ASEAN, such as the AIP, the AIC, the AIJV, and the PTA, ASEAN members have never truly committed to those projects. Before the establishment of AFTA in 1992, regional economic cooperation was loose and not a long-term cooperation. Since the founding of AFTA, AFTA and its acceleration in 1995 have created close cooperation in the region. Therefore, AFTA and its acceleration provides the first chance for ASEAN countries to cooperate in a long-term institutionalized manner. The close regional economic cooperation may lead to greater trust, since member countries already see their counterparts abiding by tariff reduction requirements. In the future, greater trust may lead to even closer cooperation within ASEAN in other areas.

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<sup>118</sup> US-ASEAN Business Council, 1997 Outlook (Washington D.C., 1997), p. 3.

## I. CONCLUSION

There were two factors that led to the creation of AFTA in 1992. The first factor was global political change after the Cold War, which led to the absence of external military threats. On the international level, the competition in military powerhouses has been replaced by the competition in economic powerhouses. The second factor was global economic change after the Cold War, which led to more coordinated economic competitions between different economic regions. Because of intensified competition from other economic blocs, ASEAN members recognized the need for regional economic cooperation.

At the beginning, AFTA aimed to reduce intra-ASEAN tariffs to 0-5 percent within 15 years starting 1 January 1993. The CEPT Scheme has been used as the mechanism to reduce the tariffs. It covered all kinds of intra-ASEAN products except unprocessed agricultural products.

In 1993, after the CEPT Scheme had been in place for one and a half years, the success of the negotiation of Uruguay Round, the establishment of the WTO, and the proposal to set up the APEC led to the acceleration of AFTA. ASEAN leaders agreed to reduce the time frame for tariff reduction to 0-5 percent from 15 to 10 years. Unprocessed agricultural products were included into the CEPT Scheme to make AFTA cover all intra-ASEAN products. As a result, AFTA will be realized by the year 2003 instead of the year 2008 according to the previous plan.

ASEAN members have gained three benefits from AFTA and the acceleration of AFTA. First, intra-ASEAN trade has increased continuously. Intra-ASEAN exports of CEPT products between 1993-1994 and between 1994-1995 grew by 39.22 and 18.68 percent

respectively. Second, AFTA and the acceleration of AFTA may lead to the increase of foreign investments. The investments in ASEAN increased from US\$ 11.7 billion in 1992 to US\$ 19.4 billion in 1995.

Finally, AFTA and the acceleration of AFTA provide the first chance for ASEAN members to cooperate closely with each other in regional economic cooperation, which may lead to greater trust among them. This greater trust may in turn encourage regional cooperation in other realms across ASEAN.

Nobody knows exactly if AFTA will achieve its goals by the year 2003. According to W. Andrew Axline, the reasons for success or failure of regional cooperation lie in the ability of the regional organization to meet its regional goals and to satisfy the interests of individual member states.<sup>119</sup> At present, each ASEAN member receives benefits from its expanding trade with its counterparts. However, the success of AFTA in the future will depend on the cooperation of all member states. Member states have to develop a commitment to regional interests that will supersede their commitments to national interests.

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<sup>119</sup> W. Andrew Axline, "Comparative Case Studies of Regional Cooperation among Developing Countries," in The Political Economy of Regional Cooperation: Comparative Case Studies, ed. W. Andrew Axline (London: Pinter Publishers, 1994), p. 29.



## **V. ANALYSIS OF AFTA'S IMPACT ON THAILAND'S NATIONAL SECURITY**

### **A. INTRODUCTION**

At its establishment in 1967, the main goals of ASEAN were regional political and security cooperation against the communist threat in Indochina and conflicts between member countries. However, after the problem of the communist threat was eliminated and regional conflicts were ameliorated, economic cooperation became the main focus of ASEAN. AFTA, initiated by Thailand, was established in 1992 to make ASEAN a free trade area. Under the Common Effective Preferential Tariff (CEPT) Scheme, a mechanism of tariff reduction, intra-ASEAN trade and regional investments have continuously increased. AFTA has encouraged extensive economic cooperation within ASEAN.

Thailand, a founding member of ASEAN, has received a lot of benefits from AFTA. Thailand-ASEAN trade and Thailand's exports have increased continuously since the establishment of AFTA. Additionally, Thailand has used AFTA as a bargaining chip to deal with trade partners in other economic blocs.

Beyond the intended economic benefits Thailand receives from AFTA, what impact does AFTA have on Thailand? There is some skepticism about AFTA's impact on Thailand's national security. Therefore, this chapter will analyze both the positive and negative impacts of AFTA on Thailand's national security.

## **B. DEFINITION OF NATIONAL SECURITY**

The Thailand National Defense Institute defines Thailand's national security as the ability to preserve the nation's physical stability, integrity, and liberty; to ensure the nation's economic stability and estimate the nation's tentative revenue; to control the nation's political stability; to ensure the citizen's standard of living and security; and to defend the nation from internal and external threat.<sup>120</sup> It is apparent that Thailand's national security encompasses not only national independence and integrity but also national economic, sociological, and military areas.

The Thailand National Defense Institute, therefore, classifies national security into four different fields.<sup>121</sup>

### **1. Economic National Security**

Economic national security guarantees that citizens are employed and confident in the national economic system. The income disparities, social inequalities and the unemployment rate are low. The government is largely free from economic interference by other nations, has the ability to efficiently control national economic stability, and has expertise in industry, agriculture, commerce, and science and technology.

### **2. Political National Security**

Political national security provides citizens with confidence and faith in the national political system and a national government. The population follows the government's policies, laws, and regulations, and trusts the government's ability to maintain national integrity and honour at an international political level. There is a legitimate and an efficient

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<sup>120</sup> Intamara, p.43.

government which has freedom in administration without political influences from other nations. Additionally, citizens, the state, the government, national integrity, and national stability are free from internal and external interference.

### **3. Sociological National Security**

Sociological national security exists when citizens have a high standard of living, good education, their own culture, high morale, and a sense of citizens' duty and national integrity. The judicial system is fair, and security in life and property is high.

### **4. Military National Security**

Military national security is a situation which national armed forces have strong military power, combat readiness, and efficient weapon systems. Military personnel have discipline, high morale, sufficient training and education, tactical and strategical skills, and the capability to defeat internal and external threats.

## **C. HYPOTHESIS**

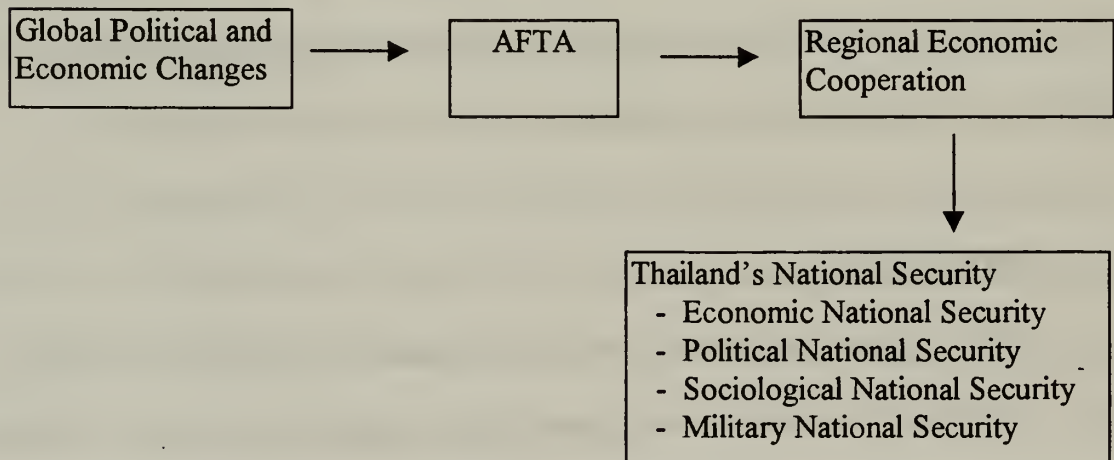
Because of global political and economic changes after the end of the Cold War, as stated in Chapter IV, there was heightened interest in expanding regional economic integration and multilateral cooperation in Southeast Asia. Thailand proposed the concept of a free trade area in 1991, and these concepts were accepted by other ASEAN member states in 1992. Consequently, AFTA, one form of economic integration, was established in 1992 to create a free trade area within the region and to encourage regional multilateral economic cooperation between ASEAN member states.

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<sup>121</sup> Ibid., p. 44.

Under AFTA, the value of intra-ASEAN trade, imports and exports, and foreign investments in ASEAN have continuously increased.<sup>122</sup> There is extensive regional economic cooperation between member states which establishes AFTA as a significant free trade area. As a member of AFTA, Thailand has received many benefits from AFTA. At the same time, AFTA also has a great impact on Thailand's national security in four different areas, namely political national security, economic national security, sociological national security, and military national security.

To analyze the impact of AFTA on Thailand's national security, my hypothesis can be described as portrayed in Figure 6.



**Figure 6: Impact of AFTA on Thailand's National Security**

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<sup>122</sup> See details in Setboonsarng, pp. 54-59.

## **D. IMPACT OF AFTA ON THAILAND'S NATIONAL SECURITY**

To analyze the impact of AFTA on Thailand's national security, this study will divide the latter concept into economic national security, political national security, sociological national security, and military national security.

### **1. Economic National Security**

As stated earlier in the previous chapter, AFTA is one type of regional economic integration, Free Trade Area (FTA). To analyze the impact of AFTA on Thailand's economic national security, it is necessary to employ a theory of international economic integration effects. There are two effects of international integration, static and dynamic effects.

#### **a.. The Static Effects of International Integration <sup>123</sup>**

The static effects of international integration in fact could be either economic welfare enhancement or welfare reduction. The welfare-enhancing effects derive from trade creation, while the welfare-reducing effects result from trade diversion.

(1) Trade Creation. Trade creation arises when consumers in the home country switch from a high-cost domestic supplier to a lower cost source of supply from a partner country. This switch in consumption patterns results from the change in the relative price of imports from the partner country vis-a-vis home produce following the elimination of intra-area tariffs. Therefore, trade creation leads to greater efficiency in the allocation of

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<sup>123</sup>Jacob Viner, The Customs Union Issue (New York: Carnegie Endowment for International Peace, 1950), p. 15.



resources throughout the regional economic integration bloc and increases economic welfare accordingly.

(2) Trade Diversion. Trade diversion reduces economic welfare, as it involves a switch in consumption away from a low-cost supplier outside the region to a higher cost source of supply in a partner country. In that case, resources within the region are diverted to produce an increased supply of a product that can be produced more efficiently outside the region. This results in a less efficient allocation of union-wide resources and lowers economic welfare accordingly. Trade diversion will arise when a country increases its protection against imports from non-member countries beyond the level prevailing prior to regional membership.

#### **b. The Dynamic Effects of International Integration<sup>124</sup>**

The dynamic effects of integration are recurring effects and will influence the rate of economic growth for the area. The dynamic effects are expected to be positive for the region as a whole, although not necessary for every member of that union. There are three principal sources of dynamic gain.

(1) Economies of Scale in Production. Scale economies describe a situation in which long-run unit costs of production decrease as the scale of production increases. Economies of scale are directly related to market size. Where the available market becomes larger, firms will be able to increase output and exploit opportunities for cost savings in production. Assuming competitive conditions are maintained, consumers will benefit through the resulting decline in product price. Moreover, the decline in price will result in an

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<sup>124</sup> Andrew Scott, in The European Handbook, ed. Barbour, pp. 111-113.

increase in both internal and external demand which will stimulate investment activity and raise the rate of economic growth for the union as a whole.

(2) Intensification of inter-firm competition. The intensification of inter-firm competition follows the elimination of barriers to trade. As domestic firms find that their protected national market is being increasingly contested by partner-country rivals, managerial and organizational inefficiencies will be eliminated with consequent benefits to consumers.

(3) Improvement in research and technological development activity. The creation of a union would increase the pace of technological change for the area as a whole. The pace of technological development might increase if the union leads to an increase in the average firm size, to the extent that larger firms devote a greater volume of resources to research and development than do smaller firms.

Even though Viner's analysis mainly focuses on general regional economic integration, there are some interesting aspects of this analysis that can be applied to the study of AFTA. Therefore, the study of impact of AFTA on Thailand's economic national security will also consider some aspects of this analysis.

In terms of the dynamic effects of international integration, each member state, at present, may not receive equal benefits from AFTA due to differences in economic structures and types of products. However, in the long run, every state should receive collective benefits from AFTA. AFTA helps encourage intra-ASEAN trade and foreign investments in ASEAN, especially investments in big projects that need a lot of capital and high technology.

An analysis of the impact of AFTA on Thailand's economic national security will be separated into two levels, international and domestic levels.

**a. International Level**

(1) AFTA has increased Thailand-ASEAN trade and Thailand's exports to ASEAN. At present, AFTA is still early in its development; ASEAN aims to achieve the objectives of a free trade area by the year 2003. However, under the Common Effective Preferential Tariff (CEPT) Scheme, the main mechanism by which tariffs on goods traded within the ASEAN region will be reduced to 0-5 percent by the year 2003, AFTA member states are required to reduce tariffs of all kinds of intra-ASEAN products and eliminate all non-tariff barriers (NTBs) within AFTA. This will encourage an expansion of intra-ASEAN trade for all kinds of products, such as processed products, intermediate products, and unprocessed products. As a result, the value of Thailand-ASEAN trade has increased since the inception of AFTA in 1992. The average annual Thailand-ASEAN trade between 1993-1995 increased 28 percent.<sup>125</sup> Table 4 shows the details of Thailand-ASEAN trade during 1991-1995.

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<sup>125</sup> Department of Economy, Thailand's Ministry of Commerce, Role and Lessons Learned of Thailand in AFTA, p.12.

Year	Total Trade		Total Export		Total Import		Trade Balance
	Value	IR (%)	Value	IR (%)	Value	IR (%)	
1991	8,059.5		3,381.1		4,678.8		-1,297.7
1992	9,329.4	15.75	4,143.3	22.54	5,186.1	10.84	-1,042.8
1993	11,637.1	24.74	5,944.2	43.47	5,692.8	9.77	251.4
1994	15,068.2	29.48	8,009.9	34.75	7,058.5	23.99	951.4
1995	19,614.1	30.17	10,814.9	35.02	8,799.1	24.66	2,015.8

Remarks: Unit: Million US\$, IR = Increasing Rate

**Table 4: Thailand-ASEAN Trade during 1991-1995<sup>126</sup>**

In the meantime, Thailand's exports to ASEAN has also continuously increased since the existence of AFTA in 1992. Thailand's average annual exports to ASEAN between 1994-1996 increased at a rate of 38 percent.<sup>127</sup> Tables 5 and 6 show a comparison of imports and exports between Thailand and other ASEAN countries before (1988-1991) and after (1994-1996) the establishment of AFTA in 1992, respectively. Thailand's exports that have advantages over the products of other AFTA countries are leather products, precious stones and ornaments, wooden furniture, cement, textiles, and electronic appliances. These products, therefore, can compete with the products of others

<sup>126</sup> Ibid., p. 19.

<sup>127</sup> Ibid.

due to their cheaper prices, better quality, and low tariffs. Consequently, conditions are favorable for Thailand to increase domestic employment and economic growth.

Country	1988			1989			1990			1991		
	E	I	TB	E	I	TB	E	I	TB	E	I	TB
Brunei	0.5	4.2	-3.7	0.8	4.8	-4.0	0.8	4.5	-3.7	0.7	4.8	-4.1
Indonesia	2.2	4.4	-2.2	4.1	6.9	-2.8	4.0	5.1	-1.1	5.4	5.6	-0.2
Malaysia	11.9	10.7	1.2	15.1	17.2	-2.1	14.7	28.7	-14.0	17.5	30.4	-12.9
Philippines	1.5	4.8	-3.3	2.7	2.6	0.1	4.3	2.8	1.5	2.7	2.5	0.2
Singapore	31.0	38.2	-7.2	36.8	50.9	-14.1	43.3	63.3	-20.0	59.6	76.3	-16.7
<b>ASEAN</b>	<b>47.1</b>	<b>62.4</b>	<b>-15.3</b>	<b>59.5</b>	<b>82.4</b>	<b>-22.9</b>	<b>67.1</b>	<b>104.3</b>	<b>-37.2</b>	<b>85.9</b>	<b>119.6</b>	<b>-33.7</b>

Remarks: Unit: Billion Thai Baht (Baht 25.5 = US\$ 1)

E = Export, I = Import, TB = Trade Balance

**Table 5: Imports and exports between Thailand and ASEAN during 1988-1991<sup>128</sup>**

<sup>128</sup> Department of Economy, Thailand's Ministry of Commerce, ASEAN Free Trade Area: AFTA, Conclusion of the CEPT Agreement, pp. 22-23.



Country	1994			1995			1996 (Jan-Apr)		
	E	I	TB	E	I	TB	E	I	TB
Brunei	1.2	4.6	-3.4	1.6	7.2	-5.6	0.6	1.5	-0.9
Indonesia	11.1	11.4	-0.3	20.2	16.8	3.4	11.6	6.8	4.8
Malaysia	27.6	66.4	-38.8	38.7	80.6	-41.9	13.5	30.2	-16.7
Philippines	5.6	8.9	-3.3	10.3	14.4	-4.1	6.4	4.4	2.0
Singapore	155.1	86.4	68.7	197.3	103.7	83.6	58.0	39.9	18.1
ASEAN	200.6	177.6	23.0	268.2	222.7	45.5	90.2	82.8	7.4

Remarks: Unit: Billion Thai Baht (Baht 25.5 = US \$ 1)

E = Export, I = Import, TB = Trade Balance

**Table 6: Imports and Exports between Thailand and ASEAN during 1994-1996<sup>129</sup>**

(2) AFTA may create investments in ASEAN and Thailand. As stated in Chapter V, AFTA may encourage the investments in ASEAN. In the case of Thailand, during the first ten months of 1996, the Board of Investment of Thailand approved 426 foreign investment projects totalling US\$ 8.55 billion, higher than the annual totals for each of the three previous years (1993-1995).<sup>130</sup> Japan has been the top foreign investor in Thailand since the early 1980s. With promotion certificates issued for projects totalling US\$ 5.2 billion in 1996, Japanese firms accounted for more than half of the total foreign

<sup>129</sup> Ibid.

<sup>130</sup> US-ASEAN Business Council, p. 72.

investment.<sup>131</sup> Singapore was a distant second, with US\$ 2.2 billion in investments, followed by the United States at US\$ 1.2 billion.<sup>132</sup> Foreign investment and capital can enhance employment opportunities and bring technology and economic development to Thailand.

(3) AFTA increases the economic competitiveness of Thailand against other economic blocs. The price of imported raw materials from other ASEAN states will drop due to low tariffs and transformation of technology from foreign investments. This should help to increase Thailand production power at lower costs and will encourage Thailand's export competitiveness in international trade. Thailand's exports to its trade partners outside ASEAN have continuously increased since the establishment of AFTA. Table 7 shows Thailand's exports with its trade partners outside ASEAN from 1994 to 1996 (January-April). Additionally, the increase of output at lower costs should be more attractive to foreign investors and contribute to Thailand's economic growth. This impact complies with Viner's analysis of economies of scale.

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<sup>131</sup> Ibid.

<sup>132</sup> Ibid.

Country	1994	1995	1996(Jan-Mar)
EU	177,770	212,058	75,085
USA	239,098	250,684	75,948
Japan	194,274	236,101	77,868
Hong Kong	59,989	72,775	26,313
China	23,338	40,868	15,205
Taiwan	24,690	33,715	11,502
Saudi Arabia	10,932	14,140	4,827
Australia	16,148	19,374	5,531
South Korea	14,372	19,934	9,541
Russian Federation	8,486	11,372	2,203
Others	167,993	277,143	64,471
<b>Total</b>	<b>937,090</b>	<b>1,188,164</b>	<b>368,494</b>

Unit: Million Baht (Baht 25.5 = US\$ 1)

**Table 7: Thailand's exports to its trade partners outside ASEAN<sup>133</sup>**

(4) The establishment of AFTA not only creates regional economic cooperation between member states but also increases the economic bargaining power of Thailand against its trade partners in international trade. In the past before the AFTA period, most ASEAN member states were small countries with no economic power, and thus had to deal individually with their trade partners, both inside and outside ASEAN. Most of the time,

<sup>133</sup> "Thailand's Exports," Welcome to ASEAN Thailand Homepage (Internet), November 22, 1997.

they could not demand favorable terms for their trade. At present, ASEAN member states cooperate together and utilize AFTA as a bargaining chip to negotiate with their non-ASEAN trade partners. Moreover, AFTA has been used by Thailand as a successful bargaining device to deal with its trade partners, such as Japan, China, the United States, and the European Union (EU). Without AFTA, it is difficult for a small country like Thailand to create its own economic bargaining chip.

(5) Cooperation in AFTA creates the possibility for regional economic assistance. As mentioned earlier, when AFTA encourages investments in ASEAN, not only foreign investors from outside but also from inside ASEAN invest in other ASEAN states. In other words, there is some interchange of investments among ASEAN member states. For example, Thai businessmen invest in Malaysia, Indonesia, and Singapore, while their counterparts from these countries also invest in Thailand. As a result, when any country encounters economic problems, investors from and leaders of other Asian countries may see an opportunity for profit in the weaker economy. This situation already happened in Thailand in July 1997. When Thailand encountered its currency crisis and the Thai government decided to devalue Thai currency,<sup>134</sup> Thailand had to ask for financial assistance from the international community. On 11 August 1997, the international community at a donor meeting pledged US \$17.2 billion in loans to Thailand from the International Monetary Fund (IMF), the Asian Development Bank, the World Bank, and nine Asian nations, four of them are ASEAN countries.<sup>135</sup> Japan, the largest foreign investor in Thailand, and the IMF

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<sup>134</sup> Before July 1997, US\$ 1 = 25.50 Thai Baht. After devaluation of Thai currency, US\$ 1 = about 36-38 Thai Baht.

<sup>135</sup> "World Bank Gives Loan to Thailand," Bangkok Post (Internet), November 14, 1997.



contributed \$4 billion each, while the World Bank and the Asian Development Bank provided \$1.5 billion and \$1.2 billion respectively. Billion-dollar commitments came from China, Hong Kong, Malaysia, Australia, and Singapore. Additionally, Brunei, Indonesia, and South Korea promised \$500 million each.<sup>136</sup>

(6) The admission of new members --Vietnam in 1995 and Burma and Laos in 1997-- to AFTA benefits Thailand's economy in the following aspects:

(a) Geography. Thailand is the only country in Southeast Asia that is located next to all the new AFTA countries except Vietnam. The beneficial location, therefore, gives Thailand a great advantage over other ASEAN states to trade with these countries. Transportation systems between Thailand and these countries are relatively convenient via all means, sea, land, and air. Telecommunications systems are also good and efficient. Both transportation and telecommunications costs between Thailand and the three countries are cheap compared to those of other ASEAN countries. Because of geographical benefits, Thailand, at present, has high trade value with these new members of AFTA. In addition, Thailand is the largest investor in Laos and an important foreign investor in Burma.

(b) Natural Resources. Over the last two decades, high consumption demands have caused a rapid decrease in Thailand's natural resources such as woods, mineral, oil, and seafood. Because AFTA creates economic cooperation and trade between Thailand and new ASEAN member countries, it provides a good opportunity for Thailand to purchase natural resources from these countries which are still rich in their natural resources at least for a certain period. For example, Thailand has bought hydroelectric power

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<sup>136</sup> Ibid.



from Laos as well as natural gas and timber from Burma. Other ASEAN member states such as Brunei, Indonesia, Malaysia, and Philippines still have greater supplies of natural resources (oil, natural gas, minerals, rubber, and woods) than Thailand. Therefore, because of the existence of their own natural resources and locations of their countries, they have fewer interests in resources of the new AFTA countries than Thailand.

(c) **Production Structure.** Thailand's production structure complements the new AFTA countries' requirements more than those of other AFTA countries. In other words, Thailand can produce goods that meet the basic needs of these countries, which are still poor and cannot afford expensive products, while other ASEAN countries' products are less suitable for these basic requirements. For example, Thailand produces necessary and inexpensive goods, such as processed agricultural products, clothes, shoes, and medicines, while Singapore manufactures expensive high technology products such as computers and electronic goods. Malaysia provides durable goods such as automobiles, tires, and machinery. Even though Vietnam needs some high technology products such as automobiles and machinery, Burma and Laos, at present, cannot afford these high cost products. Consequently, Thailand can export more of its products to the new AFTA countries than other ASEAN member states.

#### **b. Domestic Level**

At a domestic level, AFTA has some negative impacts on Thailand as follows:

(1) AFTA's tariff reduction directly affects Thailand's domestic industries. In accordance with the CEPT Scheme Agreement, the Thai government reduced tariffs on imported products from other ASEAN member countries. This move impacts some

of Thailand's domestic industries and products such as vegetable oil, glass and mirror products, and processed agricultural products. In the past, production of these goods were subsidized by the government; therefore, producers did not have the motivation to develop the quality and competitiveness of their products. When the government reduces tariffs on imports, imported products from other ASEAN countries which are cheaper and better quality can compete with these domestic products. As a result, domestic producers have to improve the quality of their products, which may drive production higher. However, competition between imported and domestic products will benefit Thai consumers, since they can have more choices of better quality, less costly products. These effects of competition between Thailand's domestic and imported products comply with Viner's analysis of intensification of inter-firm competition. On the other hand, Thai exporters also benefit from access to markets in other ASEAN countries.

(2) Implementation of AFTA has decreased the proportion of Thai government revenues collected from import tariffs. The percentage of Thailand's imported tariff revenues has continuously decreased from 18.3 percent of total tariff revenues in 1993 to 16.1 percent in 1996.<sup>137</sup> Under the Agreement of AFTA, ASEAN countries have to reduce tariffs of imported products from other countries to 0-5 percent by the year 2003. This measure affects each governments' tariff revenues collected from imports. In the case of Thailand, the government's revenue structure has changed. As Thailand's percentage of international trade tariff revenues has decreased, the percentage of domestic tariff revenues

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<sup>137</sup> Department of Economy, Thailand's Ministry of Commerce, Lessons Learned and Role of Thailand in AFTA, p. 19.

collected from income and consumption taxes has gradually increased from 28.4 percent in 1993 to 32.7 percent in 1996 and from 37.9 percent in 1993 to 39.2 percent in 1996 respectively.<sup>138</sup> Table 8 shows Thailand's revenue structure during 1992 and 1996.

Revenue (Billions Baht)	Fiscal Year				
	1992	1993	1994	1995	1996
<b>Total Tariff Revenue</b>	<b>497.9</b>	<b>560.2</b>	<b>655.1</b>	<b>760.0</b>	<b>866.3</b>
(% GDP)	(16.0)	(16.4)	(17.0)	(17.3)	(17.3)
Income Tax	137.2	159.1	199.4	241.8	283.4
(% of Total Tariff Revenue)	(27.6)	(28.4)	(30.4)	(31.8)	(32.7)
(% GDP)	(5.0)	(5.2)	(5.7)	(6.0)	(6.2)
Property Tax	11.4	13.2	16.1	16.3	16.4
(% of Total Tariff Revenue)	(2.3)	(2.4)	(2.5)	(2.1)	(1.9)
(% GDP)	(0.4)	(0.4)	(0.5)	(0.4)	(0.4)
Consuming Tax	191.3	212.5	248.7	295.6	340.0
(% of Total Tariff Revenue)	(38.4)	(37.9)	(38.0)	(38.9)	(39.2)
(% GDP)	(7.0)	(6.9)	(7.1)	(7.4)	(7.4)
International Trade Tariff	83.5	103.8	115.2	127.9	140.9
- Imported Tariff	82.3	102.5	113.8	126.5	139.2
(% of Total Tariff Revenue)	(16.5)	(18.3)	(17.4)	(16.6)	(16.1)
(% GDP)	(3.0)	(3.3)	(3.3)	(3.2)	(3.1)

**Table 8: Thailand's revenue structure from 1992 to 1996<sup>139</sup>**

## **2. Political National Security**

Normally, there are many regular and ad hoc meetings among ASEAN countries every year, such as ASEAN Summit meetings, ASEAN Ministerial meetings, ASEAN Economic Minister meetings, AFTA meetings, ARF meetings, and so on. These meetings provide representatives of member countries, which normally consist of leaders of the governments, military, business sectors, foreign affairs ministries etc., opportunities to meet

<sup>138</sup> Ibid.

<sup>139</sup> Ibid., p. 20.

and discuss with each other many areas of cooperation. Frequent meetings of member countries' representatives may help to create understanding, good relations, and solutions to regional political problems. AFTA was mainly established for regional economic cooperation. Therefore, it may not have direct impact on Thailand's political national security. However, when ASEAN members develop closer economic cooperation with each other, such as expansion of regional trade and investment in other countries, they may be inclined to solve political problems as quickly as possible in order to maintain favorable economic relations. As a result, AFTA as well as the meetings among ASEAN countries may have some indirect impact on Thailand's political national security in both international and domestic levels.

#### **a. International Level**

(1) Thailand's participation in AFTA and other meetings may help diminish existing political conflicts between Thailand and its neighbors. Although, at present, the general global political atmosphere tends to be tranquil and political conflicts are normally solved by amicable diplomatic measures, there are still regional conflicts in many areas including Southeast Asia. This is no exception for Thailand. Thailand has minor conflicts with its neighbors, such as boundary conflicts and smuggling problems with Laos; problems of minority groups along the common border, illegal logging, and fishing problems with Burma; problems of Vietnamese refugees in Thailand; and boundary and fishing conflicts with Malaysia.

At present, all of these neighbors are members of ASEAN and, of course, AFTA. Frequent meetings among members in AFTA and other meetings give Thailand



opportunities to discuss and negotiate with its counterparts about these conflicts. Therefore, regional economic cooperation as well as negotiations during the meetings may help to encourage amicable solutions to conflicts between Thailand and its neighbors. For example, in November 1997, Rangoon has agreed to free 98 Thais jailed in Burma.<sup>140</sup> Most had been charged with illegal logging or encroaching on Burmese territorial waters. The release of the inmates was the result of negotiations between Thailand's Army Commander-in-Chief General Chetta and Lieutenant General Khin Nyunt, first secretary of the State Law and Order Restoration Council (SLORC), during the recent former's visit to Burma of after Burma joined ASEAN in July 1997. An indirect reason for the release was economic cooperation, under which Thailand agreed to buy natural gas from Burma. Burma also agreed to open a border pass to facilitate the Petroleum Authority of Thailand's gas pipeline which will be completed in July 1998.

After the Thirtieth ASEAN Ministerial Meeting held in Malaysia in July 1997, Malaysia decided to release four Thai fishermen arrested in June 1997 on illegal entry charges.<sup>141</sup> The agreement to release the Thais was reached after talks between Thailand's Foreign Minister Prachuab Chaiyasarn and Malaysian Foreign Minister Abdullah Badawi during the AMM meeting.

(2) Regional economic cooperation between Thailand and the new AFTA members in Indochina helps create buffer states for Thailand. According to Thailand's political geography, Burma and Laos as well as Laos and Cambodia are buffer

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<sup>140</sup> "98 Pardoned Thai Fishermen Return Home from Rangoon," Bangkok Post (Internet), November 12, 1997.

<sup>141</sup> "Malaysia Frees Thai Fishermen," Bangkok Post (Internet), August 14, 1997.



states between Thailand-China and Thailand-Vietnam respectively. Even though Cambodia has not yet been admitted to be a member of ASEAN due to its internal political problems, it is very likely that Cambodia will join ASEAN and AFTA in the near future. The presence of these buffer states may allow Thailand to reduce political pressure from both China, a powerful communist state with strong political influence in Southeast Asia, and Vietnam, a former enemy with a highly effective military. These buffer zones benefit Thailand both politically and militarily. Even though Burma and Laos recently joined AFTA, it is likely that AFTA may help to expand their trades with other ASEAN countries, especially Thailand. Moreover, at present, Thailand is a top foreign investor in Laos and important investor in Burma. Economic cooperation may help to create good relations between Thailand and these two countries, which will indirectly strengthen the status of the buffer states for Thailand.

(3) AFTA encourages peace in Southeast Asia. In the past decades, there were some major political conflicts and wars in this region such as conflicts between Indonesia, Malaysia, and Philippines in the 1960s, the communist threat in Indochina, and the Vietnam War in the late 1960s and early 1970s. At present, Southeast Asia is a more tranquil region because of the absence of major regional political conflicts and communist problems, although there are still some minor conflicts in the region. Regional economic cooperation in AFTA and other ASEAN meetings may create closer relations and give member states more opportunities to meet with each other. For example, annual working sessions of ARF are the places that ASEAN and other ARF members meet with each other to discuss regional security and confidence building.

(4) AFTA may create more of a balance of power within ASEAN. In the past, ASEAN was heavily influenced by Islamic states such as Brunei, Malaysia, and Indonesia. Indonesia, the biggest country with the largest population, has tried to dominate ASEAN and expand its political influence throughout the region since the beginning of ASEAN. The admission of new members, Vietnam in 1995 and Burma and Laos in 1997, and the establishment of AFTA in 1992, which encourages regional economic cooperation among non-Islamic states, may help balance the power of Islamic states.

All above four impacts are positive benefits for Thailand. However, there is one negative impact of AFTA on Thailand as well.

(5) AFTA causes the relocation of the labor force within ASEAN. When there is an expansion of investments within AFTA, an increase of labor forces, especially from overseas, is needed. For example, Singapore needs cheaper labor from Malaysia, Philippines, Indonesia, and Thailand. Thailand also needs cheaper labor from Burma, Cambodia, Laos, and Vietnam. Therefore, there is emigration of workers from cheap labor countries to others. There is also a lot of illegal labor smuggling to those countries. These workers, both legal and illegal, cause problems for the host countries, such as child and sexual abuse, criminal, and racial discrimination.

#### **b. Domestic Level**

Thailand's tariff reduction measures according to the CEPT Scheme Agreement causes dissatisfaction to some Thai businessmen. When the government reduces tariffs on imported products, some imported products can compete with local products, which in the past held monopolies on the Thai market. Therefore, most businessmen, who belong

to and support political parties, lose profits and try to influence the government to delay or discard tariff reduction measures. Sometimes the government has to follow their suggestions. This impedes progress of Thailand's economic development and integration into AFTA.

### **3. Sociological National Security**

AFTA not only encourages regional economic cooperation but also indirectly presses ASEAN societies to be modern and developed ones. ASEAN Non-Governmental Organizations (NGOs) are assigned and supported by AFTA to participate and have an important role in the development processes. They cooperate and exchange information and experience with each other by holding annual meetings. The main purpose of this cooperation is to improve ASEAN educational systems which are critical to human resource, social, culture, sanitary, and economic development. Examples of proposals for educational improvement are the establishment of ASEAN university, exchange programs of ASEAN students, and inclusion of knowledge of ASEAN in different levels of educational programs. Moreover, Thailand has proposed cooperation in AIDS prevention, drug interdiction, and environmental protection campaigns. Thus, Thailand and other ASEAN members have close cooperation in many areas of development, such as education, human resource, social, culture, sanitary, and economy. Because of Thailand's economic growth in the early 1990s and these development programs, Thailand has a higher standard of living. For example, Thailand's per capita GDP increased from US\$ 5,350 in 1992 to US\$ 5,970 in 1994.<sup>142</sup> The literacy rate also increased from 89 percent (years compulsory: 6; attendance 96 percent) in

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<sup>142</sup> "Thailand in Brief," [ASEAN-Thailand Homepage](#) (Internet)

1991 to 94 percent in 1993.<sup>143</sup> Additionally, life expectancy has improved from 65 for males and 72 for females in 1995 to 66 for males and 73 for females in 1996.<sup>144</sup>

#### 4. Military National Security

In the recent history of Southeast Asia, although there were some major regional conflicts, such as the dispute over Sabah between the Philippines and Malaysia in 1962 and the opposition of Indonesia to the formation of the Federation of Malaysia in 1963, there was little use of armed force by Southeast Asian countries to resolve inter-state disputes. Diplomatic measures usually were used to solve or at least defuse regional problems. It was only during the Vietnamese occupation of Cambodia in the late 1970s that Vietnam used military forces to invade Cambodia. At that time ASEAN protested and tried to negotiate with Vietnam for the withdrawal of Vietnamese troops. Unlike other organizations, SEATO and NATO, ASEAN is not a military alliance. The mention of foreign military bases was made in the Preamble of the Bangkok Declaration, at the establishment of ASEAN in 1967, which noted that “all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of states in the area.”<sup>145</sup> Therefore, there is no multilateral military cooperation in ASEAN. There are only some bilateral military agreements in the form of bilateral exercises between some member countries such as Thailand-Malaysia, Thailand-Singapore, Thailand-Indonesia, and Singapore-Indonesia.

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<sup>143</sup> Ibid.

<sup>144</sup> Ibid.

<sup>145</sup> “The ASEAN Declaration (Bangkok Declaration August 8, 1967),” in Collection of ASEAN Documents, ed. Department of ASEAN, Thailand’s Ministry of Foreign Affairs, p. 1.



Although AFTA provides for economic cooperation among ASEAN member countries, it may have some indirect impacts on Thailand's military national security as follows:

a. As noted earlier, regional economic cooperation within AFTA and other meetings of ASEAN may help to decrease tension between Thailand and neighboring countries that otherwise might have caused military confrontation (for example, a boundary conflict between Thailand and Laos in 1989 which led to use of forces for two weeks before negotiations). Although conflicts can not be completely solved by economic cooperation, the inclination to use force to solve problems is lower than in the past. For example, during the visit of Thailand's Minister of Commerce to Laos in October 1997 to discuss about the expansion of Thailand's investments in Laos, which is one of the projects of ASEAN Investment Area (AIA), Thailand agreed to release three Laotians arrested by Thai authorities for contraband smuggling in September 1997.<sup>146</sup> In return, Laos released six Thai officers who were arrested on 7 October 1997 during their search of Laotian vessels suspected of transporting some illegal goods to Thailand.<sup>147</sup>

Additionally, at present, Thailand serves as an economic mediator between other ASEAN members and new members in Indochina. This role may give Thailand more opportunity to coordinate closely with its neighbors, and the coordination may indirectly encourage smoother political relations. As a result, the tendencies toward military confrontation between Thailand and its neighbors may decrease.

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<sup>146</sup> "Arrests Set to be Dealt With By Ministry," Bangkok Post (Internet), October 19, 1997.

<sup>147</sup> Ibid.

b. AFTA and other meetings in ASEAN indirectly may help to decrease Thailand's defense budget. Since the end of the Cold War, Thailand, like other countries in ASEAN, has not had a direct external threat, like the earlier Vietnam-led communist threat in Indochina. However, Thailand does have some minor problems with its neighbors. Regional economic cooperation within AFTA, the role of Thailand as economic mediator, and frequent meetings of ASEAN members may help to solve conflicts between Thailand and its neighbors, such as conflicts over logging and fishing with Burma in November 1997, conflicts over fishing with Malaysia in June 1997, and conflicts over smuggling with Laos in October 1997. These conflicts, as stated earlier, were solved by diplomatic negotiations without military confrontation.

Therefore, at present Thailand, like many countries, is downsizing its armed forces due to an absence of direct external threat and less regional conflicts. Consequently, Thailand's national defense budget can be reduced because of a smaller size of armed forces. However, to maintain the capacity of the armed forces, the Thai military tries to improve the quality of its personnel by emphasizing training and education. Additionally, the Thai government can increase other kinds of spending to develop country in other fields.

c. Regional economic cooperation and other ASEAN meetings may help Thailand to understand the political and economic situations of other ASEAN countries. In the past, Indochinese countries had closed societies and different political systems from other ASEAN countries. It was not until they joined ASEAN and AFTA that other ASEAN members could understand their policies. Additionally, there may be an exchange of unclassified military policies and information among member countries at the ARF meetings

in the near future. This may help Thailand to plan for its short-term and long-term defense strategy.

## **E. CONCLUSION**

AFTA, established in 1992 because of global political and economic changes after the Cold War, has created economic growth and extensive economic cooperation in ASEAN. Thailand, a member of AFTA, has received numerous benefits from AFTA since its establishment, including an increase of Thailand-ASEAN trade, export profits, and foreign investments. At the same time, AFTA also has influenced Thailand's national security in four different areas: economic national security, political national security, sociological national security, and military national security.

Of the four areas of Thailand's national security, AFTA has a direct impact on economic national security in both international and domestic levels, since AFTA was mainly established for regional economic cooperation. At an international level, Thailand-ASEAN trade and Thailand's exports to ASEAN have increased steadily since the inception of AFTA. AFTA has continuously encouraged investments in ASEAN and Thailand. For example, during the first ten months of 1996, Thailand had foreign investment projects totalling US\$ 8.55 billion, higher than the annual totals for each of the three previous years (1993-1995). Also, AFTA increases the economic competitiveness of Thailand with other economic blocs. Not surprisingly, Thailand's exports to its trade partners outside ASEAN have continuously increased since the establishment of AFTA. AFTA increases the economic bargaining power of Thailand against its trade partners in international trade, since it has been used by Thailand

as a successful bargaining device to deal with its trade partners, such as Japan, China, the United States, and the European Union (EU). Moreover, AFTA creates regional economic assistance. When Thailand encountered its currency crisis in July 1997, it received loans from the International Monetary Fund (IMF), the Asian Development Bank, the World Bank, and nine Asian nations, four of them are ASEAN. Finally, the admission of new members to ASEAN benefits Thailand's economy. At a domestic level, AFTA's tariff reduction may hurt Thailand's domestic industries in the short term, although in the long term, may force Thai industries to be more competitive. AFTA also decreases percentage of Thailand's national tariff revenues collected from its imports.

AFTA has only indirect impacts on the political, sociological, and military aspects of national security. For political national security, AFTA has indirect impacts on both international and domestic levels. At an international level, Thailand's participation in AFTA and other meetings may help to diminish existing political conflicts between Thailand and its neighbors. Regional economic cooperation between Thailand and new AFTA members in Indochina and Burma, may help to create buffer states for Thailand. Because of these buffer states, Thailand can reduce political pressure from both China and Vietnam. AFTA may encourage peace in Southeast Asia. Finally, AFTA may create a balance of power within ASEAN between Islamic states such as Brunei, Malaysia, and Indonesia, and non-Islamic states. For negative impact, AFTA causes the relocation of the labor force within ASEAN, which causes problems for the host countries, such as child and sexual abuse, criminal, and racial discrimination. At a domestic level, AFTA causes friction between the Thai government and local businessmen.



For sociological national security, because of cooperation with other AFTA members in society development processes, Thailand may be able to improve standard of living of Thai people and turn Thai society into a modern and developed society.

AFTA also has some indirect impacts on Thailand's military national security. Regional economic cooperation within AFTA and other meetings of ASEAN may help to decrease conflicts between Thailand and neighboring countries which might cause military confrontation. This could lead to a decrease in Thailand's defense budget. Finally, regional economic cooperation and other ASEAN meetings may help Thailand to understand more accurately the political and economic situation of other ASEAN countries. This may help Thailand to plan for its short-term and long-term defense strategy.

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## VI. CONCLUSION

The Association of Southeast Asian Nations (ASEAN) was established in 1967 because of common security concerns about communist threats in the region. Although regional anti-communism was the main reason for this cooperation, regional political and security cooperation in ASEAN has been considered as nothing more than “loose cooperation.” In fact, ASEAN actually has concentrated mainly on economic cooperation since its existence. Lack of close regional security cooperation among members leads to the thesis puzzle. Although it was formed for regional security reasons, why does ASEAN still avoid anything but loose security cooperation?

While regional security cooperation is weak, ASEAN does have close economic cooperation. AFTA, established in 1992, has created extensive cooperation among ASEAN countries since its inception. It is the most important and successful incidence of cooperation of ASEAN so far. Therefore, this thesis further studied the impacts of ASEAN’s economic cooperation, AFTA, on Thailand’s national security in four different components, namely the economic, political, sociological, and military components.

Southeast Asia is very diverse in terms of terrains, ethnic groups, religions, languages, societies, cultures, and levels of development. Therefore, there were real obstacles to regional cooperation in the region in the past. During 1950s and 1960s before the existence of AFTA, there were four earlier groupings established in Southeast Asia, namely SEATO, ASA, ASPAC, and MAPHILINDO. However, all of them neither lasted long nor gained much cooperation from their members. Despite many obstacles to integration, regional

common security concerns were the reasons that five Southeast Asian nations combined to form ASEAN in 1967, and cooperation became possible among them in the first place. Besides the anti-communist unity in the region, there were two more reasons for integration, which were the expectation of economic aid from the United States, the United Kingdom, and Japan as well as the hope of revitalizing regional cooperation. The expansion of ASEAN arose in January 1984 when Brunei joined ASEAN as the sixth member. In July 1995, Vietnam was admitted as the seventh member. Finally, Laos and Burma were accepted to ASEAN in July 1997. At present, ASEAN consists of all Southeast Asian countries except Cambodia.

The objectives of ASEAN in the 1967 Bangkok Declaration covered many areas of cooperation, which were social, cultural, and economic in nature. However, economic cooperation was a preeminent goal. It is important to note that nowhere was it stated that the ASEAN states would cooperate on political and security matters, although regional security concerns were the main purpose of establishment. The security and political cooperation programs were proposed and adopted by ASEAN members at the Bali Summit in February 1976.

Economic cooperation has gained momentum since the inception of AFTA. However, progress in this realm had been sluggish in the first nine years after ASEAN's formation because of regional conflicts among member countries. Cooperation in the following period between 1976 and 1987 also developed at a slow pace. Close regional economic cooperation took place in 1992 with the establishment of AFTA, which aimed to create the lowest tariff free trade area without non-tariff limitations within ASEAN, to attract



foreign investments to ASEAN, and to encourage an economically competitive status for ASEAN. AFTA aims to achieve its goals within 15 years beginning 1 January 1993. At present, although AFTA is still in the early stages, it creates extensive regional economic cooperation among the members.

Although political and security cooperation was not included in the objectives of ASEAN at the beginning, political and security cooperation in ASEAN began early in its formative years. There has been continuous security cooperation among member states, such as ZOPFAN in 1971, the Treaty of Amity and Cooperation in Southeast Asia in 1976, ARF in 1993, and the SEANWFZ in 1995. However, regional security cooperation within ASEAN can be considered loose cooperation because ASEAN has neither a conventional collective defense nor a collective security function. The only political and security device ASEAN has utilized since its existence is diplomatical negotiations.

Why does ASEAN still avoid close security cooperation? The solution to this puzzle should be considered in two main periods. In the first period (1967-1976), there were three possible reasons that ASEAN was reluctant to assume a collective military role. First, it did not want to be viewed as a successor of SEATO, which would make it vulnerable to attack by big communist countries such as China and the Soviet Union. Second, Indonesia in particular, did not want to forfeit its non-aligned status. Finally, an alliance was impossible because of the members' lack of military capability. In the second period (1976-present), ASEAN still has not developed closer security cooperation because of two reasons. First, unsolved past regional conflicts still impede closer relations among member countries. Second, distrust among ASEAN members caused by bilateral tensions and the diversity of

ethnic groups, religions, languages, cultures, and societies of member countries creates only loose security cooperation to be possible. In 1967, Thailand, which was the next obvious target of Vietnamese-led communist threats, cooperated with four other Southeast Asian anti-communist countries to form ASEAN. Since the existence of ASEAN, Thailand has played many important roles, which are in the diplomatic, economic, and security arenas. It succeeded in initiating the establishment of AFTA in 1992. As a member, Thailand has gained benefits from ASEAN. At present, the highest trade value of Thailand is the trade between Thailand-ASEAN. Moreover, ARF may help to create trust and security cooperation between Thailand and other ASEAN members. However, Thailand also has some problems in ASEAN. Frequent changes of Thai governments and foreign policies may diminish its roles and bargaining power in ASEAN. Conflicts with its neighboring countries may obstruct its success in ASEAN. In addition, competition in trade between Thailand and other ASEAN members, which are also agricultural countries, leads to the delay in developing AFTA.

Since the end of the Cold War, the global political situation has changed. The external military threat is no longer the only significant factor for consideration within national security policies. Economic issues became more important factors than external military threats in developing national security policies. The global economic situation also has changed and ASEAN faced more coordinated economic competition from other economic blocs. Both global political and economic changes encouraged ASEAN to move toward closer regional economic cooperation. As a result, AFTA, initiated by Thailand, was established in 1992 to make ASEAN a free trade area and to create bargaining chips in dealing with other economic blocs. The CEPT Scheme has been used as the main mechanism of AFTA to reduce tariffs

of intra-ASEAN products to 0-5 percent within a time frame of 15 years beginning 1 January 1993.

Because of the success of the negotiation of Uruguay Round, the establishment of the WTO, and the proposal to set up the APEC Free Plan by 2020, ASEAN leaders agreed to accelerate the achievement of AFTA by reducing the time frame of tariff reduction from 15 years to 10 years. As a result, AFTA will be realized by the year 2003 instead of the year 2008 according to the previous plan.

There are three benefits ASEAN members have gained from AFTA and the acceleration of AFTA. They help to increase intra-ASEAN trade. They may lead to the increase of domestic foreign investments, and provide the first chance for ASEAN members to cooperate closely with each other. The close regional economic cooperation may lead to greater trust among them. This greater trust may in turn encourage other regional cooperation in ASEAN.

Beyond the intended economic benefits Thailand receives from economic integration, AFTA also has impacts on Thailand's national security in four different areas, namely economic, political, sociological, and military national security. AFTA has a direct impact on Thailand's economic national security in both international and domestic levels, since it is regional economic cooperation. At an international level, Thailand-ASEAN trade and Thailand's exports to ASEAN have continuously increased since the inception of AFTA. AFTA may encourage investments in Thailand. The important foreign investors in Thailand are Japan, Singapore, and the United States. AFTA increases the economic competitiveness of Thailand with other economic blocs. AFTA increases the economic bargaining power of

Thailand against its trade partners in international trade. AFTA creates regional economic assistance for Thailand. Finally, the admission of new members to AFTA benefits Thailand's economy. At a domestic level, AFTA's tariff reduction affects Thailand's domestic industries and decreases the percentage of Thailand's national tariff revenues collected from imports.

AFTA has indirect impacts on Thailand's political, sociological, and military national security. For political national security, at an international level, AFTA has many positive impacts on Thailand. Thailand's participation in AFTA and other meetings may help to diminish existing political conflicts between Thailand and its neighbors. Regional economic cooperation between Thailand and new AFTA members in Indochina, Burma and Laos, may help to create buffer states for Thailand. Moreover, AFTA may encourage peace in Southeast Asia. Finally, AFTA may create a balance of power within ASEAN between Islamic states such as Brunei, Malaysia, and Indonesia, and non-Islamic states. AFTA also has a negative impact. It causes the relocation of the labor force within ASEAN, which causes problems for the host countries, such as child and sexual abuse, criminal, and racial discrimination. At a domestic level, AFTA affects relations between the Thai government and local businessmen.

In the sociological realm of national security, because of cooperation with other AFTA members in society development processes, Thailand may be able to improve the standard of living of Thai people and develop Thai society to be a modern and developed society.

AFTA also has some indirect impacts on Thailand's military national security. Regional economic cooperation within AFTA and other meetings of ASEAN may help to



decrease conflicts between Thailand and neighboring countries, which may cause military confrontation. The cooperation forged at AFTA and other meetings in ASEAN may enable Thailand to reduce its defense budget. Finally, regional economic cooperation and other ASEAN meetings may help Thailand to understand the political and economic situation of other ASEAN countries. This may help Thailand to plan for its short-term and long-term defense strategy.

After examining the puzzle and analyzing the impacts of AFTA on Thailand's national security, this thesis concludes that the convergence along anti-communist lines that allowed ASEAN to form did not eliminate the very strong bases for distrust among ASEAN members, especially the five founding members. This accounts for the limitations on the extent of regional security cooperation possible. Therefore, ASEAN will not be able to create closer security cooperation unless distrust among the members is eliminated. The finding from the study of AFTA's impacts on Thailand's national security also implies that AFTA provides direct improvement only to Thailand's economic component of national security, while it creates indirect improvements to the political, sociological, and military components. Therefore, AFTA, like ASEAN, cannot help to increase close regional security cooperation directly. As a result, both findings have implications for Thailand. ASEAN's inability to address concrete regional security issues means that Thailand cannot depend on ASEAN for its security but has to protect itself even if that means doing something against the interests of its ASEAN partners.

However, AFTA has created close regional economic cooperation. It also provides the first chance for ASEAN members to cooperate in a long-term institutionalized manner.

This may help to alleviate distrust and may lead to greater trust among them. Moreover, the greater trust may lead to closer operation in other areas including the security arena. However, in the 1990s, with the end of superpower conflicts, a new international order is evolving. Security is no longer defined by the stockpile of nuclear weapons, but it is determined by combining strengths and resources to give people a better life, and keep the region free from tension, conflict and war. Therefore, if there will be discussions about closer regional security among ASEAN leaders in the future, it may be useful for them to consider this global political.

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